

Proceedings of the
50th Annual Meeting
of the



Academy of International Business

*"Knowledge Development and Exchange
in International Business Networks"*

Milan, Italy
June 30-July 3, 2008

Editors

John Cantwell, Program Chair
Tunga Kiyak, AIB Managing Director

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50th Annual Meeting
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AIB 2008 Program Overview

Sunday, June 29		Monday, June 30			Tuesday, July 1	
AJBS Conference 8:30-17:30	AIB Executive Board Meeting 8:30-17:00				8.00-8.15	1.1 Eminent Scholar Plenary Interactive Sessions 9:00-10:15
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					8.30-8.45	
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			21.30-22.00			

AIB 2008 Program Overview

	Wednesday, July 2		Thursday, July 3
8.00-8.15		8.00-8.15	
8.15-8.30		8.15-8.30	
8.30-8.45		8.30-8.45	
8.45-9.00		8.45-9.00	
9.00-9.15	2.1	9.00-9.15	3.1
9.15-9.30	Conference Theme Plenary	9.15-9.30	Interactive Sessions
9.30-9.45	Interactive Sessions	9.30-9.45	9:00-10:15
9.45-10.00	9:00-10:15	9.45-10.00	
10.00-10.15		10.00-10.15	
10.15-10.30	COFFEE BREAK 10:15-10:40	10.15-10.30	COFFEE BREAK 10:15-10:40
10.30-10.45		10.30-10.45	
10.45-11.00	2.2	10.45-11.00	3.2
11.00-11.15	Concurrent Sessions	11.00-11.15	Concurrent Sessions
11.15-11.30	10:40-11:55	11.15-11.30	10:40-11:55
11.30-11.45		11.30-11.45	
11.45-12.00	BREAK 11:55-12:05	11.45-12.00	BREAK 11:55-12:05
12.00-12.15		12.00-12.15	
12.15-12.30	2.3	12.15-12.30	3.3
12.30-12.45	Concurrent Sessions	12.30-12.45	JIBS Decade Award
12.45-13.00	12:05-13:20	12.45-13.00	Concurrent Sessions
13.00-13.15		13.00-13.15	12:05-13:20
13.15-13.30		13.15-13.30	
13.30-13.45	LIGHT LUNCH	13.30-13.45	LIGHT LUNCH
13.45-14.00	13:20-14:20	13.45-14.00	13:20-14:20
14.00-14.15		14.00-14.15	
14.15-14.30	2.4	14.15-14.30	3.4
14.30-14.45	Farmer Dissertation Award	14.30-14.45	Closing Plenary
14.45-15.00	Concurrent Sessions	14.45-15.00	14:20-15:35
15.00-15.15	14:20-15:35	15.00-15.15	
15.15-15.30		15.15-15.30	
15.30-15.45	COFFEE BREAK 15:35-16:05	15.30-15.45	COFFEE BREAK 15:35-16:05
15.45-16.00		15.45-16.00	
16.00-16.15	2.5	16.00-16.15	3.5
16.15-16.30	Concurrent Sessions	16.15-16.30	AIB Awards Ceremony
16.30-16.45	16:05-17:20	16.30-16.45	and Business Meeting
16.45-17.00		16.45-17.00	16:05-17:30
17.00-17.15		17.00-17.15	
17.15-17.30		17.15-17.30	
17.30-17.45		17.30-17.45	JIBS Decade Award Reception
17.45-18.00		17.45-18.00	AIB Farewell Reception
18.00-18.15		18.00-18.15	17:30-18:30
18.15-18.30		18.15-18.30	
18.30-18.45		18.30-18.45	
18.45-19.00		18.45-19.00	
19.00-19.15		19.00-19.15	
19.15-19.30		19.15-19.30	
19.30-19.45		19.30-19.45	
19.45-20.00		19.45-20.00	
20.00-20.15	AIB Gala Event	20.00-20.15	
20.15-20.30	<i>Museo Diocesano di Milano</i>	20.15-20.30	
20.30-20.45	19:00-22:00	20.30-20.45	
20.45-21.00		20.45-21.00	
21.00-21.15		21.00-21.15	
21.15-21.30		21.15-21.30	
21.30-22.00		21.30-22.00	

ABSTRACTS

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ABSTRACTS FOR TUESDAY, JULY 1, 2008

Session: 1.1.P - Plenary

Eminent Scholar Plenary Honoring Ronald Dore (AIB Fellows Plenary)

Presented On: July 1, 2008 - 09:00-10:15

Chair: D. Eleanor Westney, York University

Panelists:

D. Eleanor Westney, York University
 Peter J. Buckley, University of Leeds
 Sri Zaheer, University of Minnesota
 Ronald Dore, London School of Economics

Session: 1.1.1 - Interactive

Track: Track: 1 - The Context of Global Business

New Global Risks and Governance Opportunities

Presented On: July 1, 2008 - 09:00-10:15

Chair: Mary Ann Von Glinow, Florida International University

Governance in a Global Economy - The Contribution of the United Nations Global Compact

Andreas Rasche, Helmut-Schmidt-University / United Nations Global Compact
 Michael Behnam, Suffolk University
 Dirk Ulrich Gilbert, University of Erlangen-Nuremberg

The United Nations Global Compact – which is a Global Public Policy Network supporting ten universal principles in the areas of human rights, labor standards, environmental protection, and anti-corruption – has attracted more than 4,500 business and non-business participants over the last eight years. Although the initiative is often discussed as a promising solution to global governance gaps, it remains largely unclear why this is the case. To address this problem, we explain to what extent the Global Compact represents an institutional solution to exercise global governance. Based on a thorough discussion of what global governance means and how it can be exercised, our analysis rests on two interrelated levels of analysis. We examine (1) whether the Compact addresses issues that call for global governance and (2) whether the Compact addresses these issues in a way that reflects the multi-actor, multi-level, and network-based nature underlying global governance solutions. Drawing on this discussion, we offer suggestions regarding how the Compact can be improved and *(For more information, please contact: Andreas Rasche, Helmut-Schmidt-University / United Nations Global Compact, Germany: arasche@hsu-hh.de)*

Border Security and Canada-U.S. Trade

Steven Globerman, Western Washington University
 Paul Storer, Western Washington University

Post 9/11 border security developments have been identified by business and government leaders in North America as significantly increasing the costs of bilateral trade and thereby hampering closer economic integration between the United States and Canada. This concern has been a particular preoccupation of Canadian government officials; however, there is very little available evidence on the strength of the linkage between enhanced border security measures and bilateral trade flows. This paper reviews a range of studies that provide indirect and direct evidence on the linkage. It also presents new econometric evidence on how trade volumes post-9/11 differ from trade volumes pre-9/11. This evidence suggests that both U.S. exports to and imports from Canada were lower than would otherwise have been the case in the absence of border security developments; however, the magnitude of the export shortfalls was much larger for Canadian exports to the U.S. than for U.S. exports to Canada. Furthermore, trade impacts seem to have disappeared by mid-2005. The paper concludes with policy recommendations. *(For more information, please contact: Steven Globerman, Western Washington University, United States: steven.globerman@wwu.edu)*

The Chinese Business Environment in 2017: A Delphi Study

Gregory Ronald Elliott, Macquarie University
Fuming Jiang, Australian National University
Gordon Redding, INSEAD
Bruce William Stening, Peking University

The factors impacting on the Chinese business environment and the likely direction they will take are of major interest to international business academics, international managers and public policy makers. This study used a Delphi approach – a process which essentially canvasses the opinions of a panel of experts over successive rounds – to forecast the Chinese business environment in 2017. Sixty-one issues covering economic factors, political/legal factors and socio-cultural factors are examined, focusing both on the direction (and magnitude) they are anticipated to take, and their importance. Overall, a very high level of consensus is revealed about the how the Chinese business environment might look ten years from now. In a number of fundamental respects it is expected that it will be markedly different from the present situation, but in some other respects remarkably similar. *(For more information, please contact: Bruce William Stening, Peking University, China: brucestening@gsm.pku.edu.cn)*

Oil and Corruption: Who Helped Iraq Circumvent UN Sanctions?

Yujin Jeong, George Washington University
Robert J. Weiner, George Washington University

Economic sanctions are a widely-used weapon in international conflict, despite controversy about their effectiveness. The bulk of sanctions research employs macro-level analysis, seeking to understand the behavior of governments in imposing or evading economic sanctions, and economies in coping with them. Relatively little is known about the role of international business in the implementation of sanctions, however, despite the fact that most international trade takes place through firms. This is in part due to difficulty in observing firms' behavior in complying with or circumventing sanctions.

We aim to remedy this deficiency through examination of one of the best known international agreements to impose economic sanctions – the UN Oil-for-Food Program (OFFP). The OFFP should be of interest to IB scholars, as a natural laboratory for studying private sector corruption under economic sanctions specifically, and international trade generally. The firms that participated in the program were many and varied, as were their home countries. Moreover, detailed data are available on program transactions, both licit and illicit. As a result of an independent investigation, data were published on which firms dealt with the Iraqi government, the size and price in each contract, which firms were asked to pay bribes, which paid (and how much), and which did not.

What drove companies to pay illicit surcharges? Who helped Iraq cheat the UN OFFP? Are companies from some countries likely to pay more bribes? We conjecture that companies from some countries pay larger bribes than others, implying that home countries and their institutions matter. Alternatively, rents from illicit activity may have been the main driving force that affected firms' decisions on whether to pay, regardless of their home countries and country-/firm-specific characteristics. *(For more information, please contact: Robert J Weiner, George Washington University, United States: rweiner@gwu.edu)*

Terrorism, Political Risk and International Business: Conceptual Considerations

David Adam Wernick, Florida International University
Sumit K. Kundu, Florida International University

Research on terrorism and its impact on international business have increased substantially since 9/11. Yet theoretical and conceptual thinking about the nature of the terrorist phenomena and its implications for MNEs remains underdeveloped. Most writers continue to hew to the classical notion of terrorism as a type of host country political risk, but the recent wave of religiously inspired transnational terrorism differs in important ways from the leftist and ethno-nationalist terrorism of decades past. We offer a new conceptualization of terrorism that takes into account its novel dimensions and trace the implications for MNEs. A series of propositions are developed on how MNEs may manage this new type of threat. *(For more information, please contact: David Adam Wernick, Florida International University, United States: wernick@gmail.com)*

Risk, Uncertainty and Strategy: Coping with the Threat of Global Terrorism

Bridgette Emma Sullivan-Taylor, Warwick Business School
David C. Wilson, Warwick Business School

This paper takes as its central core the perceived threats from terrorist activities in six organizations. Such an attack would constitute a rare event, but one which is not outside the bounds of possibility for many organizations. It examines how managers in organizations which are particularly exposed to the threats of terrorism (the leisure and travel industry) deal with uncertainty where probabilities are impossible or difficult to define and examines how they face the challenge of interpreting and learning from these experiences (Doz, 1996, Larsson et. al., 1998). Utilizing Weick's (1979; 1995) concepts of enactment and sensemaking, the paper argues that what really matters is how managers in organizations perceive (and frame) their environment (and act upon such perceptions). Weick argues that perceptions are selective, with some factors given prominence and others filtered out. Is this the case with extreme and rare events such as terrorist attacks?

Findings indicate that both sensemaking and theories of action differ in each organization depending on the position of the organization in the supply chain; the accuracy and completeness of information; the extent and nature of previous experience of rare events; degree of dependency of external agencies; proactive (adopting own responses and processes) or reactive (taking no or little action).

(For more information, please contact: Bridgette Emma Sullivan-Taylor, Warwick Business School, United Kingdom: msmbst@wbs.ac.uk)

A Divergence-of-Expectations Approach to the Assessment of Country Risk

Dante Di Gregorio, University of New Mexico
Douglas E. Thomas, University of New Mexico

We introduce a new way to conceptualize, assess and manage country risk. Departing from standard approaches that equate risk with expected values (e.g., lower growth implies higher risk), our approach equates risk with the variance of expectations (e.g., greater variation in expectations of growth implies higher risk). The variance-of-expectations approach is more consistent with the manner in which managers conceptualize risk as unpredictability, the chance of loss, and the magnitude of loss. The approach is illustrated through the

construction of country risk measures derived from cross-national survey data collected by the World Bank. Evidence suggests that the variance-of-expectations approach to country risk assessment introduces new information beyond conventional approaches and may also be more likely to help managers anticipate unfavorable changes in a country's operating environment. *(For more information, please contact: Dante Di Gregorio, University of New Mexico, United States: digregorio@mgt.unm.edu)*

Systems of Exchange, Institutions and States in Facilitating Reliance on Trust in Economic Exchanges
Peter Smith Ring, Loyola Marymount University

In this essay I explore the broad question of the limitations in the roles of states and their governments in creating an environment in which economic exchange can be undertaken in less costly fashion. In doing so, I speculate on several different kinds of issues, initially exploring whether states can intervene in their economies in ways that alter the behavior of economic actors. I speculate on whether it is possible for states to reduce the costs of economic exchange by changing conditions under which exchange occurs. *(For more information, please contact: Peter Smith Ring, Loyola Marymount University, United States: pring@lmu.edu)*

Session: 1.1.2 - Interactive

Track: Track: 5 - Structure, Capabilities, and Planning

Geography, Culture, and International Business Strategy

Presented On: July 1, 2008 - 09:00-10:15

Chair: Kamel Mellahi, University of Sheffield

Institutional Distance and Foreign IPO Performance: The Moderating Influence of Organizational Capabilities
R. Greg Bell, University of Dallas

To date scholars have examined a wide range of factors which impact the ability of firms to raise optimum levels of equity capital in their domestic markets. However, little attention has been paid to the growing number of new listings of foreign firms in western markets. When firms attempt to raise capital in foreign markets through an IPO, firm characteristics alone fail to provide a complete explanation for the success or failure of a new issue. This study investigates how the institutional profile and legal framework of a country can interact with certain firm-level governance and organizational capabilities to enable foreign firms to attain success in western markets at IPO. By signaling certain governance attributes in addition to organizational capabilities, firms from institutionally distant countries can overcome liability of foreignness costs they face in foreign capital markets. *(For more information, please contact: R. Greg Bell, University of Texas at Arlington, United States: gbell@uta.edu)*

A Study of the Relationship between CSR and Business Performance in Fast Developing Economies
Belaid Rattab, Dubai Chamber, Centre for Responsible Business
Anis Ben Brik, Dubai Chamber, Centre for Responsible Business
Kamel Mellahi, University of Sheffield

This paper presents the result of the first systematic study of the strategic value of CSR activities in fast developing economies. Analyses of data collected from a survey of firms located in Dubai show that CSR is positively associated with all performance measures used in the study. The results challenge the dominant assumption that, given the institutional framework in fast developing economies, CSR activities drain resources and may compromise firms' competitiveness.

(For more information, please contact: Kamel Mellahi, The University of Sheffield, United Kingdom: k.mellahi@sheffield.ac.uk)

Development of Cultural Production Business Model in Digital Technology

Yi-Long Jaw, National Taiwan University
Ching-Sung Wu, National Taiwan University
Chun Liang Chen, National Taiwan University

Digitization has enabled new ways for firms to deliver their products and the opportunity to work interactively with their consumers. The purpose of this paper is to identify dynamic capabilities of cultural business and to explore an analytical framework of cultural production business model. We also addressed how digital technology can be used to create value and obtain a firm specific advantage. We investigate two excellent performer and outstanding innovative firms in Taiwan's cultural industries, i.e., the hand puppetry industry, PiLi International Multimedia Corporate and the Taiyuan Puppet Theatre Company. From our exploratory study, we identify four dimension and six dynamic capabilities for cultural production that are three technology-related, i.e. applying enabling technologies creatively, assessing customer value and utilizing absorptive capacity. Using two case studies and the analytic induction approach to data analysis, we explored an exploratory business models for cultural production. Cultural organizations must not only be able to find how to make use of digital technology, but also enable those digital technologies into their business model, if the organization is going to deliver an integrated customer value and make the most of synergies between innovation. *(For more information, please contact: Chun Liang Chen, National Taiwan University, Taiwan, R.O.C.: jun@moeasmea.gov.tw)*

Psychic, National Cultural, and Institutional Distance: Suggestions for Rationalization

Karen L. Newman, University of Denver

Concepts of psychic and national cultural distance have been important in the international business literature for at least twenty years. More recently institutional distance has entered the literature. All three are used to predict outcomes associated with joint ventures, acquisitions, market expansions, and managerial practices. I review overlaps, inconsistencies, and ambiguities in their measurement and suggest a way to rationalize the three constructs. Psychic distance should be defined at the individual level as decision makers' perceptions of differences between cultures. National cultural distance should be based on Hofstede's work, defined as the norms and values that underpin business activity at the country level. Institutional distance should be defined broadly as country-level institutional arrangements and be measured objectively or through publicly available expert ratings. *(For more information, please contact: Karen L. Newman, University of Denver, United States: karen.newman@du.edu)*

Supervisors' Influence Tactics: Does Congruence Matter?

May-Chiun Lo, Universiti Malaysia Sarawak
Intan Osman, University Science Malaysia

It has been proposed that issues of power and influence should be incorporated in the dyadic study of leadership. Building upon social exchange theory which explains how power is gained and lost in the process of influence between an agent and the target (Blau, 1964; Emerson, 1962), this paper hypothesized that the power congruence of supervisors and subordinates was anchored on 9 types of influence tactics. Bases of power and influence tactics were conceptualized as 2- and 3- dimensional constructs, respectively. The main thrust of the paper is to assess the impact of congruence of personal and position power on downward influence tactics. Three hundred and eighty-five pairs of Malaysian managers and executives working in manufacturing companies voluntarily participated in this study. The findings suggested that supervisors would use a combination of hard and soft tactics when their subordinates perceived them to have position or personal

power. On the contrary, supervisors believed that soft influence tactics was the most effective tactic to use on subordinate when they (supervisors) perceived that their subordinates have personal power or when subordinates perceived themselves as having position power. Implications of the findings, potential limitations of the study, and directions for future research were further discussed (*For more information, please contact: May-Chiun Lo, Universiti Malaysia Sarawak, Malaysia: mclo@feb.unimas.my*)

A Conceptual Framework and its Empirical Investigation: Web Sites Localization by Japanese and U.S. Multinationals for Korean B-C Markets

Ji Eun Park, Saint Louis University
Nitish Singh, Saint Louis University
Seung H. Kim, Saint Louis University

The paper proposes a three stage conceptual framework to measure a degree of localization on Web sites and applies this model to study how U.S. and Japanese Multinationals are localizing their web content in South Korea. The study also compares cultural customization efforts of U.S. Multinationals with Japanese Multinationals when localizing their content for South Korean B-C online markets. Content analysis is used to study the localization efforts, analyzing 80 Korean Web sites which include 4,000 web pages by U.S. (40) and Japanese MNCs (40). The results provide evidence that the Japanese Multinationals do a better job in terms of Web site localization to South Korean B to C markets than U.S. Multinationals do. The analysis also shows that localization of the web content is done predominantly in the form of content localization or translation. In addition, less effort is being made to localize products/services or culturally customize the web content. (*For more information, please contact: Ji Eun Park, Saint Louis University, United States: jepark01@gmail.com*)

Session: 1.1.3 - Interactive

Track: Track: 6 - Learning, Knowledge and Innovation

Knowledge and Firms' Internationalisation Choices

Presented On: July 1, 2008 - 09:00-10:15

Chair: Igor Filatotchev, City University of London

Strategic Choices and Growth of Newly Listed Firms in Europe: The Effects of an "IPO Imprint"

Igor Filatotchev, City University of London
Jenifer Piesse, King's College London

This paper uses simultaneous equation modeling to examine the effects of strategic choices (e.g., investment in R&D and exporting) on growth dynamics of newly listed firms in the UK, Germany, Italy and France. Using panel data for 1110 IPOs during the period 1985-2004, it shows that R&D and export intensities are positively associated with growth in sales. In line with an "IPO imprint" hypothesis, firm-level factors such as intangible assets and leverage, provide significant effects on the choice between the two growth strategies within a dynamic perspective. This choice also depends on the country of origin of the newly listed firm. (*For more information, please contact: Igor Filatotchev, City University London, United Kingdom: igor.filatotchev@city.ac.uk*)

The Market Knowledge Creation Process Prior to Market Entry - A Case Study Approach

Sabrina Luthfa Karim, Gothenburg University
Linh Thuy Nguyen, Gothenburg University

Market information has been shown to be critical for successful internationalization as it reduces the uncertainties prevailing in the foreign market and gives access to market opportunities. This paper focuses on a related area that hitherto has been neglected in the literature, i.e. the question of how market knowledge is created from market information at market entry level. Focusing on firms' knowledge creation process prior to a foreign market entry, the paper discusses the above question by an in-depth case study of a multinational company named CEJN AB, located in Skövde, Sweden. The findings of the study propose that multinational companies like CEJN not only collect and interpret market information gathered from their network partners, but also follow the network partner's decision regarding new market entrance, the strengths and weaknesses of the intermediaries, utilize market experiences both of their own and of the intermediaries' both through active and passive involvement in information seeking to get a better understanding of the market. The media of reaching the market leads to the knowledge creation of the market. *(For more information, please contact: Sabrina Luthfa Karim, Department of Business Administration, Gothenburg University, Sweden: sabrina.luthfa@handels.gu.se)*

Market-oriented New Global Product Development Process: Exploration and Exploitation of Capability

Ming-Huei Hsieh, National Taiwan University

Hsiu-Ying Huang, National Taiwan University

As waves of globalization spread, new global product development becomes increasingly important for academics and practitioners. Although market-oriented new product development process is documented in literature, few studies have examined the process from a capability exploration and exploitation perspective. In this paper, the authors conduct an in-depth investigation of a firm that has many successful global product experiences to explain the new global product development process. Based on this in-depth case study, four capabilities emerge from the process. They are: a global information collecting and disseminating process (capability exploration), a disciplined creativity generation process (capability exploitation), a congruent market-oriented consensus (capability exploitation), and a cross-border product preview process (capability exploration). These four capabilities complement and interact to create a successful new global product development process. *(For more information, please contact: Hsiu-Ying Huang, National Taiwan University, Taiwan, R.O.C.: d93724005@ntu.edu.tw)*

Knowledge Generation and Internationalization of Small Firms: The Influence of Export Promotion Programs on CEO's perceptions

Nuria Hurtado-Torres, University of Granada

Juan Alberto Aragon-Correa, University of Granada

José M. de la Torre-Ruiz, University of Granada

Victor García-Morales, University of Granada

This paper analyzes the influence on CEO's perceptions of the knowledge emerging from small firm involvement in export promotion programs. This analysis is relevant because CEOs' perceptions strongly influence the international strategies of small firms. The findings show that CEOs of small firms running exporting firms with above-average participation in these programs perceive lower risk in developing business abroad than those with below-average participation, and those with below-average participation perceive lower risk than those with no participation. On the other hand, CEOs of small firms running exporting firms with higher use of export promotion programs have more positive perceptions of exportings' potential benefits in terms of return on investment and market share. Finally, the knowledge generation through firms' use of export programs diminishes perceptions of internal-informative barriers. These results help to understand the importance of knowledge in the international processes and how policy makers may influence corporate international strategies in small firms through generation of knowledge. The paper discusses implications for managers of small firms, scholars and policy makers. *(For more information, please contact: Nuria Hurtado-Torres, University of Granada, Spain: nhurtado@ugr.es)*

To go with Foreign VC Firms or Domestic VC Firms: A Study of VC-backed Ventures in China

Xiaohui Lu, National University of Singapore

Qian Gu, National University of Singapore

Drawing on organizational learning perspective and institutional theory, we study how the dynamic process of learning—what to learn, when to learn and from whom to learn—affects the success of entrepreneurial firms reflected by going public or being acquired. Specifically, we study how the presence of different types of VC—domestic or foreign—is related to the performance of a venture and how such an effect is moderated by the age, the stage and the experience factors. We argue that the most effective learning occurs when a venture can access to a pool of diverse knowledge base encompassing both internal and external management in the early stage of venture development. Accordingly, we develop several hypotheses. First, Chinese ventures funded by both domestic and foreign VC firms will have better performance than those funded only by domestic VC(s) or foreign VC(s). Second, Chinese ventures funded by foreign VC firm(s) will have better performance than those funded by domestic VC firm(s). Third, the performance difference between Chinese ventures funded by different types of VCs decreases as the age of the venture increases. Fourth, the performance difference between Chinese ventures funded by different types of VCs decreases from earlier stage investment to later stage investment. Fifth, Chinese ventures funded by VC firm(s) with more experience investing in China will have better performance than those funded by VC firm(s) with less experience. Finally, the performance difference between Chinese ventures funded by different types of VCs decreases as VC firm(s)' experience in China increases. The results from survival analysis lend substantial support to our model. Overall, we attempt to develop a theoretical framework that accounts for the success of VC-backed ventures in China by focusing on the conditions under which ventures are more likely to learn effectively from the VCs. *(For more information, please contact: Xiaohui Lu, National University of Singapore, Singapore: bizlxh@nus.edu.sg)*

Explaining the Increasing Internationalization of Research and Development by Multinational Corporations

Wei He, Florida International University

The continue growth of R&D internationalization driven by multinational corporations (MNCs) has addressed tremendous research focuses. This paper takes an initiative to establish a comprehensive framework that can synthesize previous FDI theories and explain the contemporary increasing R&D internationalization by extending Dunning's eclectic paradigm. Five traditional FDI theories are combined in the created model, which depicts by two conceptual frameworks at approach level and variable level. It is proposed that well-configuration of OLI advantages directly drives the increase of MNCs' foreign R&D activities in both developed and developing nations, which is the key factor that contributes to the growth of R&D internationalization. Research implications are discussed. *(For more information, please contact: Wei He, Florida International University, United States: whe001@fiu.edu)*

Does the Headquarters' Knowledge About Overseas Labs Affect the Level of Control Over the Labs?

Kazuhiro Asakawa, Keio University

Tomomine Aoki, Keio University

We investigate the extent to which the headquarters' knowledge about overseas labs would influence the level of control over the labs, in the context of international R&D management. We find 1) that the headquarters' knowledge about the local lab would lower the level of control over the local lab; 2) that the headquarters' knowledge about the local lab tends to grant legitimacy to the local lab; and yet 3) that the level of control over the local lab does not necessarily decline even when the lab gains legitimacy from the headquarters. Such findings imply that the headquarters rests more assured to grant local autonomy by having updated knowledge about the lab's current situation than by the established positive image of the lab which is often based on the past achievement of the lab. The study contributes to the literature by identifying the determinants of reducing the headquarters control over the local lab in association with the headquarters' knowledge about the local

operations and legitimacy granted to the local lab. A practical implication is that the local lab, if it seeks more autonomy, should not be afraid of disclosing information about its current situation to the headquarters. *(For more information, please contact: Kazuhiro Asakawa, Keio University, Japan: asakawa@kbs.keio.ac.jp)*

Institutional Duality and Subsidiary International Entrepreneurship: Evidence from Taiwanese MNCs in China

Hsang-Lin Cheng, Feng-Chia University
Ming-Chang Huang, Providence University
Mei-Hui Kuo, China Productivity Center

Extending the concept of 'institutional duality' developed by Kostova and Roth (2002), this study asserts that institutional context within the host country and the relational context within the MNC can jointly examine the international entrepreneurship of MNCs' subsidiaries. Empirically testing the data gathered from 185 Taiwanese subsidiaries locating in China shows that the relational context can stimulate a subsidiary's IE recognitions and encourage a subsidiary to perform more IE behaviors, whereas the institutional context can obstruct a subsidiary's IE recognitions and behaviors. Accordingly, this study suggests that parents should actively utilize the relational context to promote their subsidiaries' IE opportunities in different institutional contexts. *(For more information, please contact: Hsiang-Lin Cheng, Feng-Chia University, Taiwan, Taiwan, R.O.C.: francois@alumni.nccu.edu.tw)*

Session: 1.1.4 - Interactive

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

Cross-cultural Interaction

Presented On: July 1, 2008 - 09:00-10:15

Chair: Allan Bird, University of Missouri-St. Louis

Communication and Interaction among Korean Managers in a U.S.-based Action Learning and Research Partnership

Chris Allen Thomas, University of Pennsylvania
Dave Kurz, University of Pennsylvania

Wharton Executive Education has been delivering complex Action Learning and Research programs for its client organizations for a number of years. The program development team has had extensive experience designing and developing programs focused on partner organizations' particular strategic challenges. As the organization expands its capabilities to design and deliver quality international programs, the use of ethnographic methods are being employed to collect empirical data regarding the impact of issues such as language, team dynamics and culture in a more evidence-based way by gaining a better understanding of the day-to-day experience of the program participants. *(For more information, please contact: Chris Allen Thomas, University of Pennsylvania, United States: chthomas@dolphin.upenn.edu)*

Wisdom That Isn't: Sorting Through Useful and Not-So-Useful Knowledge About Intercultural Negotiation

Lynn E. Metcalf, California Polytechnic State University
Allan Bird, University of Missouri-St. Louis

With growing numbers of people conducting business in several—and even many—different countries, there is a need for systematic comparisons across a range of negotiating dimensions and countries. In efforts to address this need, researchers have employed numerous cultural frameworks. We demonstrate, however, that cultural frameworks are often too general to provide useful insight into negotiating tendencies and we present the

Negotiation Orientations Framework as a context-specific structure that enables comparisons across cultures on twelve negotiating dimensions. We share research results for Finland, Mexico, Turkey, and the United States. Our findings reveal cultural orientations that run contrary to conventional wisdom or to the "typical" behaviors presented in widely available negotiation guides. Our work points to several guidelines for personal effectiveness, which may be useful to managers responsible for globally dispersed teams and to business people responsible for negotiating agreements across cultures. *(For more information, please contact: Lynn E. Metcalf, California Polytechnic State University, United States: lmetcalf@calpoly.edu)*

An Array of Different Types of Trust in Cross-cultural Interactions

Marcos DD Oliveira, Central Bank of Brazil

One of the ways to study trust is to break it down into types and then compare the characteristics of each type. The extant literature has produced so far several such classifications, which has somewhat contributed to the confusion surrounding the topic. This article presents an array of three different classifications that can be put together to interact, and adds one dimension found to be important in cross-cultural situations of trust building: judgement trust. *(For more information, please contact: Marcos DD Oliveira, Central Bank of Brazil, Brazil: mddoliveira@gmail.com)*

Toward a Multilevel Dynamic Model of Intercultural Competences: An Application for Foreign Students Pursuing Business Education Abroad

Yih-teen Lee, IESE Business School

Luciara Nardon, Vlerick Leuven Gent Management School

Following and supporting the globalization of business activities, an increasing number of students seek higher education abroad. We argue that their success in the foreign environment is not only dependent on their academic competences, but also on how well they can adapt to the new cultural context. A significant body of literature points to several complementary concepts dealing with individual competences required to navigate a global and/or multicultural environment, most of it focusing only on individual level constructs. In this paper we elaborate on this literature and introduce a multilevel dynamic model of intercultural competence, incorporating individual, group, institutional and national levels of analysis.

We review current theories of cultural intelligence and intercultural competences, and propose a multilevel model of intercultural competence focusing on the special case of foreign students seeking higher education abroad. Implications for theory and practice are discussed.

(For more information, please contact: Yih-teen Lee, IESE Business School, Spain: ylee@iese.edu)

Unmasking Integration Challenges - The Case of Biogal's Acquisition by Teva Pharmaceutical Industries

Tamar Almor, College of Management-Academic Studies

Shlomo Yedidia Tarba, Ben-Gurion University and The College of Management

Haim Benjamini, Teva Pharmaceutical Industries

Management researchers and practitioners point out that integration processes during the post-merger integration period are critical to synergistic effects and performance of the merged companies over time. However, the relation between the post-merger integration process, synergy potential exploitation and its influence on M&A deal success, especially in the case of international M&As, is not clear. Moreover, the results of empirical studies are inconsistent and even contradictory.

Propositions regarding the post-merger integration process are presented in this article and are exemplified by an in-depth exploration of Hungarian Biogal's acquisition by Israeli Teva Pharmaceutical Industries employing the narrative approach. We show that when cultural differences exist, synergetic success over time is enhanced when a low level of integration pressure is applied initially. In the discussion section, an analysis of the case in light of the propositions is presented and further avenues for research are suggested.

(For more information, please contact: Shlomo Yedidia Tarba, School of Management, Ben-Gurion University and School of Business Administration, College of Management, Israel: tarba2003@gmail.com)

Global Gathering around the Open Fire? -Theorizing from a Case Study of a Multinational Company's Identification of Core Values

Lena Zander, Stockholm School of Economics
Kenneth Simcox, UBS Investment Bank

This study reports a longitudinal qualitative in-depth study of a multinational company's (MNC's) 'core value identification' project, the first step in their global integration strategy. With an abductive research design where theoretical framework, empirical fieldwork, and case analysis evolve simultaneously we attempt to develop theory as to why MNCs go through such projects with enthusiasm and consider them successful even if the resulting core values are similar to those of other MNCs. We propose that it is not the outcome, but the process, that is important. Drawing on in-group and boundary literature in our theorizing attempts we argue that this process acts as an in-group creation exercise. *(For more information, please contact: Lena Zander, Stockholm School of Economics, Sweden: lena.zander@hhs.se)*

Developing Management Talent in MNCs through International Assignments and Training

Tania Saba, University of Montreal
Patrice Jalette, University of Montreal
Jacques Belanger, Laval University
Christian Levesque, HEC Montreal
Gregor Murray, University of Montreal

This exploratory study examines how high potential managers can be developed through international assignments and training practices in the subsidiaries and business units of multinational corporations. Based on 168 respondents, this study examines the development of management talent in the subsidiaries of foreign MNCs established in Canada, focusing on three specific goals which involve examining the practices aimed at developing high-potential managers through the use of various forms of international assignments, assessment and training (1); understanding the link between the use of practices aimed at developing high-potential managers and the international strategies pursued by the MNC (2); and, demonstrating the importance of other characteristics of the MNC, in particular its size and country of origin, in determining the degree to which practices aimed at developing high-potential managers in Canadian subsidiaries are used (3). *(For more information, please contact: Tania Saba, University of Montreal, Canada: tania.saba@umontreal.ca)*

Culture, Development, and Advertising Content: An Exploratory Replication and Extension of Past International Advertising Research to Banner Advertising

Daniel W. Baack, Ball State University
Rick T. Wilson, Hofstra University
Orhun O. Guldiken, Ball State University
Ronaldo C. Parente, Rutgers University

A core finding of the international advertising literature is that advertising content, in terms of advertising appeals and information cues, reflects country-level cultural and developmental differences. This study replicates and extends these findings to the new media of banner advertising. Analyzing the content of 147 banner advertisements sampled from news websites from five countries – namely Russia, Taiwan, Turkey, Ukraine, and the United States – the study finds partial support for the extension of these previous findings. More specifically, the study finds evidence that the cultural dimensions of power distance and masculinity are reflected in banner advertisements, and that banner advertisements for countries with lower scores on the Human Development Index have fewer informational cues. In contrast, the cultural dimensions Individualism

and Uncertainty Avoidance are not as strongly reflected in banner advertisement content. The paper concludes by discussing implications and providing direction for future research, including future extensions. *(For more information, please contact: Daniel W. Baack, Ball State University, United States: dwbaack@bsu.edu)*

Session: 1.1.5 - Interactive

Track: Track: 2 - Economics, Finance, Accounting, Taxation

International Accounting and the Value of Information

Presented On: July 1, 2008 - 09:00-10:15

Chair: Vernon Richardson, University of Arkansas

The Relevance of Information Technology Expenditures

B. Charlene Henderson, University of Arkansas

Kevin Kobelsky, Baylor University

Vernon Richardson, University of Arkansas

Rodney Smith, California State University, Long Beach

Although information technology (hereafter, IT) expenditures represent an increasingly large investment for most corporations, firms are not required to disclose them separately. We hypothesize and find evidence that information about a firm's IT expenditures helps explain its future performance as reflected in both accounting measures (residual income, subsequent earnings volatility) and market measures (stock price and long-run abnormal returns). Altogether, the evidence presents a persuasive case that information about a firm's IT expenditures is useful to stock market participants. This is consistent with the FASB conceptual framework suggesting that financial reporting should provide relevant information to users to assess the amounts and uncertainty of future cash flows. Our analysis, therefore, provides evidence useful to accounting policy makers contemplating the public disclosure of firm level information about IT investments. *(For more information, please contact: Vernon Richardson, University of Arkansas, United States: vrichardson@walton.uark.edu)*

The Costs and Benefits of IFRS from a Corporate Perspective: Evidence from the Implementation Experience in Australia

Joanne Pickering, University of Sydney

Sally Aisbitt, Open University Business School

Sidney J. Gray, University of Sydney

Richard Morris, University of New South Wales

The purported costs and benefits of IFRS can now be examined as more countries around the world adopt and implement IFRS. The implementation of IFRS in Australia occurred in 2005. The purpose of our study is to survey the perceptions of the preparers of corporate financial reports to obtain their perceptions of costs of the implementation process and the benefits arising for Australian listed companies. Respondents to our survey are broadly representative of all companies listed on the Australian Stock Exchange with regard to size and industry membership. The majority of respondents perceive that their companies will receive little of the purported benefits from the use of international accounting standards. The results of this study have relevance both to policy makers in other countries who are considering a shift of accounting paradigm and to users of Australian financial statements who wish to have a better understanding of the processes that led to the financial statements published in accordance with IFRS. *(For more information, please contact: Sidney J. Gray, University of Sydney, Australia: s.gray@econ.usyd.edu.au)*

Are Foreign Profitability Disclosures Relevant? Disaggregation Resolves the Puzzle

Aline Muller, University of Liège
Robert Joliet, University of Liège

This study examines whether foreign region- and country-specific performance disclosures relate differentially to shareholder wealth with respect to domestic performance disclosures. While in previous literature the value-relevance of geographic performance disparities are shown to be surprisingly weak and heterogeneous, we question in this paper prior sample selection procedures and data treatments.

In light of a unique and extensive international company-level database, we distinguish between foreign 'region' and 'country' specific performance disclosures and find that (1) the disaggregation of foreign profitability in region and country level information increases the precision and significance of the value-relevance of foreign performance ; (2) profitability in foreign emerging countries has a negative value impact and (3) the value-relevance of foreign segment disclosures is particularly perceptible for firms that are not using dividends suggesting that the less firms are signaling through their dividend policies the more they are conveying information through accounting information disclosures.

(For more information, please contact: Aline Muller, HEC Management School of the University of Liège, Belgium: aline.muller@ulg.ac.be)

The Effect of the Regulatory Environment and Accounting Standards on Cost of Capital in Cross-Listed Firms

Kathy F. Otero, University of Texas at El Paso
Patricia Eason, University of Texas at El Paso

This paper examines the interaction between the regulatory environment differences and accounting standard differences on the cost of capital in firms that cross-list. We found accounting standard differences moderate the impact of regulatory standard differences with respect to cost of equity capital.

(For more information, please contact: Kathy F. Otero, University of Texas at El Paso, United States: kotero@utep.edu)

US GAAP and IFRS: How Close is "Close Enough"?

Frederick Lindahl, George Washington University
Hannu Schadewitz, Turku School of Economics

One of the most important aspects of the globalization of the world economy is the process of implementing a uniform set of financial reporting standards.

This study investigates IFRS vis-à-vis US GAAP to evaluate the appropriateness of using them as "close enough" to combine the accounting numbers in research designs commonly used in financial accounting research.

Contribution: (a) Academic accounting research often uses accounting numbers drawn from companies in different countries. It is important to understand the comparability of the numbers. (b) Financial analysis uses net income in many profitability measures. Analysts are concerned with how comparable the ratios are when the companies being compared are from different countries with different standards. (c) The SEC has announced that it will allow IFRS reports for foreign private issuers. It is of interest to see how far the convergence of accounting rules has progressed, an indication of information that will be lost to investors. (d) Various policy issues are under consideration. We show how our empirical analysis might affect those issues.

(For more information, please contact: Frederick Lindahl, George Washington University, United States: Lindahl@gwu.edu)

Information Problems, Moral Hazard, and Credit Spreads in Loan Contracts: Evidence from Japanese Borrowers

Sang Whi Lee, Kyung Hee University
Ha-Chin Yi, Texas State University-San Marcos

We estimate a model that addresses the all-in-spreads of syndicated loans originated in one of the developed countries, Japan, employing a sample of 184 facilities. We empirically find some evidence that potential adverse selection and moral hazard issues affect the credit spreads of syndicated loans after controlling for the borrower's credit risk. Also, other factors reflecting the relevance of banking relationships and individual loan and borrower's financial characteristics impact on all-in-spreads. The results are consistent with those of studies conducted on domestically originated loans. Therefore, we argue that internationally syndicated loans convey increasing competitiveness across national boundaries. *(For more information, please contact: Sang Whi Lee, Kyung Hee, Korea, South: slee@khu.ac.kr)*

How we See Them vs. How they See Themselves: A Cognitive Perspective of Firm-NGO Interorganizational Dynamics

Rafael Lucea, George Washington University

Research on cognitive aspects of management has significantly contributed to our understanding of inter-firm competitive behavior. Much less effort, however, has been dedicated to explore how managerial cognition influences the interactions between firms and Non-Government Organizations (NGOs); a type of non-market actor whose influence on the behavior and performance of multinational enterprises (MNEs) has been argued of increasing importance.

In this paper I compare the structure and characteristics of the NGO sector involved with the exploration and extraction of oil in Ecuador as it is perceived by the oil industry and by the NGO sector itself. Significant differences between the prevalent mental maps in the oil industry and nonprofit sector appear at two levels. For firm managers, the NGO sector displays a core-periphery structure. NGO managers, by contrast, see their own sector organized in four dense clusters that are only loosely connected to each other. On the other hand, while firm managers tend to segment the NGO field according to the willingness that NGOs have to collaborate with them, NGO managers' main classification criterion is the country of origin of the NGO. Implications of these findings for the management of the global non-market of firms are advanced.

(For more information, please contact: Rafael Lucea, GWU, United States: rafel@gwu.edu)

Session: 1.1.6 - Interactive

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

IHRM Activities

Presented On: July 1, 2008 - 09:00-10:15

Chair: Davina Vora, State University of New York at New Paltz

Who Wins the Labour Shortage Game? An Exploratory Study of the Hotel Industry in Macau

Clara Weng Si Lei, University of Leeds, United Kingdom and The Institute For Tourism Studies, Macau
Melody P.M. Chong, City University of Hong Kong

This study discusses how the problem of staff turnover can be improved by employing strategic training and development programmes. Two case studies were conducted to investigate the differences between training and development programmes given by a multinational hotel and a local hotel in Macau. The findings show that the multinational hotel, which had an intensive and strategic training and development programme, was better able to control the turnover rate particularly within their middle-management level when compared with its local counterpart. Implications and recommendations for future research are also addressed. *(For more information,*

please contact: Clara Weng Si Lei, University of Leeds / The Institute For Tourism Studies, Macau, Macau: clara.lei@yahoo.com.hk)

Reentry Training – A Forgotten Component of International HRM
Betina Szkudlarek, RSM Erasmus University

This research looks at the so-far neglected field of intercultural reentry training. Through a qualitative analysis of reentry training and coaching phenomena we reflect upon the theory and practice of intercultural reentry. Data include 28 cases collected in cooperation with intercultural training and coaching providers, supplying services for international businesses all over the world, including a vast number of Fortune 500 Companies. This paper reflects upon design and delivery of this largely neglected HRM practice and offers tentative solutions and novel alternatives for including reentry training and coaching services in repatriation assistance packages. *(For more information, please contact: Betina Szkudlarek, Rotterdam School of Management, Netherlands: bszkudlarek@rsm.nl)*

Implementation and Internalization of Merit-based Compensation and Promotion Practices in Japan: The Case of Foreign-owned Companies
Vesa Peltokorpi, HEC School of Management, Paris

The long economic downturn has influenced labor management practices in Japan. In partial reaction to changes in the institutional environment, an increasing number of domestic and foreign-owned companies in Japan have implemented merit-based compensation and promotion practices that are contrary to seniority-based principles. Using interview data, this study focuses on the implementation and internalization of merit-based compensation and promotion practices in foreign-owned companies. In contrast to the macro-level accounts of institutional changes in Japanese labor management practices, the interviews show that merit-based practices have faced persistent resistance and that seniority-based practices have proved robust, especially in old companies. Implications for practice are provided. *(For more information, please contact: Vesa Peltokorpi, HEC School of Management, Paris, France: peltokorpi@hec.fr)*

Applicant Attraction towards Foreign Companies: A Person-Organization Fit Perspective
Soyeon Kim, Korea University
Fabian Jintae Froese, Korea University
Anne Vo, University of Wollongong

In an increasingly globalized world, recruiting talent in foreign markets becomes crucial for the success of multinational companies. This study adopts the person organization-fit perspective in order to investigate how foreign companies, exemplified by the case of Japanese companies in Vietnam, can attract local talent. Survey results of more than 300 participants were analyzed. In addition to organizational characteristics, personal values of applicants had an influence on individuals' attraction to Japanese companies. Further, the attractiveness of organizational characteristics was moderated by personal values of applicants. The findings thus, confirm the person organization-fit theory in a non-western setting. Discussion and practical implications are provided. *(For more information, please contact: Fabian Jintae Froese, Korea University Business School, Korea, South: fabian.froese@gmail.com)*

Personal Cultural Orientations and Preferred Compensation Policies
Hamid Yeganeh, Winona state University
Zhan Su, Laval University

This study aims to examine the relationship between personal cultural orientations and

preferences for compensation policies. Our findings suggest that while culture represents an important factor in human resource management, its effects on compensation preferences should be viewed as partial and moderate. Further analysis reveals that effects of culture on preferred compensations may vary from one orientation to another. While some cultural orientations are more likely to affect pay policies; others seem of lesser importance. Similarly, it is found that compensation policies are not affected equally by cultural orientations. By analyzing the extent and direction of cultural effects, the study provides some insights into designing compensation policies and points out managerial implications (*For more information, please contact: Hamid Yeganeh, Winona State University, United States: hyeganeh@winona.edu*)

Global HR Perspectives on Performance Management and MNC's
Nina Maria Hellqvist, University of Vaasa

This paper focuses on global Performance Management (PM) in multinational enterprises (MNC's). The PM system, as part of international HRM, can act as a process to integrate the subsidiary into the MNC's values and are part of the MNC strategy. The approach is to analyze if there is tension between foreign subsidiaries (host) and headquarter (HQ), how PM is implemented in the subsidiaries and how it has worked out. Will the transfer of PM be centralized, localized or standardized? The case study set out to look at (i) why the system was introduced in the first place, (ii) the process, development and design (HOW), (iii) challenges and the outcome in one global company. In this paper the framework is drawn on institutional theory, the institutional (normative, cognitive and regulatory) impact of the degree of success or barriers to global PM. (*For more information, please contact: Nina Maria Hellqvist, University of Vaasa, Department of Management, Finland: nina.hellqvist@uwasa.fi*)

"Diversity Icebreaker" in Cross-cultural Training
Bjørn Zakarias Ekelund, Human Factors AS / University of Agder
Rotem Shneor, University of Agder
Bettina Gehrke, Università Bocconi

This paper considers the challenges faced by academicians and practitioners involved in cross cultural training while sharing experiences and reflections on how to utilize "MBTI"-like instrument called "Diversity Icebreaker" for potentially easing tensions and overcoming some of these challenges. First, we identify and classify key challenges as they emerge in literature. We then present the training process dimension, followed by a report on previously unpublished empirical results of "Diversity Icebreaker" combined with measures of cultural values at individual and aggregated levels. Based on which, we then reflect on certain possibilities for training and development of cultural intelligence at individual and organizational level, suggesting how some key properties unique to the Diversity Icebreaker based cross/cultural training may overcome the challenges identified. And we conclude with outlining further research venues that are of special interest in the international area. (*For more information, please contact: Bjørn Zakarias Ekelund, Human Factors AS / University of Agder, Norway: bze@human-factors.no*)

Agency Logic and Managerialist Logic on Executive Compensation in China
Li Sun, University of Texas at Dallas
Mike W. Peng, University of Texas at Dallas
Livia Anna Markoczy, University of Texas at Dallas

What is the institutional logic behind executive compensation during institutional transitions? In the United States, while shareholder activism becomes prevalent after the 1980s, agency logic, instead managerialist logic, becomes a dominant logic and has great impact on executive compensation. However, the compensation in

China presents a reverse pattern to adapt new institutional logic in institutional transitions. Using data of China's listed firms from 2000-2006, we find that the institutional variable is very robust to explain the growth of executive compensation in China. The result that link of pay-performance is very sensitive show the dominant agency logic, however, the emerging managerialist logic calls on giving managers more autonomy. The evidence that board takes more responsibility for shareholder interests shows that the practice of corporate governance in China is improving. *(For more information, please contact: Li Sun, University of Texas at Dallas, United States: miaxis@gmail.com)*

Session: 1.1.7 - Interactive

Track: Track: 3 - Alliances and Inter-Firm Relationships

Alliances: Industry, Country and Case Studies

Presented On: July 1, 2008 - 09:00-10:15

Chair: Alvaro Cuervo-Cazurra, University of South Carolina

The Advantages and Pitfalls of South Africa – Angola Strategic Alliances – An Exploratory Study

Adolf Johan Vögel, University of Pretoria

Guilherme Borges Lobato Pires Da Cunha, University of Pretoria

Many enterprises are using strategic alliances to build and maintain a competitive advantage internationally. However, most of the research on strategic alliances either originate or focus on the United States, Europe and Asia and as a result not a lot is known about the use of strategic alliances in Africa. This empirical paper aims not just to provide a better understanding of the advantages and pitfalls of using strategic alliances between South African and Angolan enterprises but also to shed light on the most frequently used form of strategic alliance and highlight the reasons for choosing Angola as a market to expand into. *(For more information, please contact: Adolf Johan Vögel, University of Pretoria, South Africa: johan.vogel@up.ac.za)*

The Choice among Joint Ventures and Alliances: Evidence from Italian Firms

Antonio Majocchi, Università di Pavia

Michela Castagna, Università di Pavia

The paper investigates the factors affecting the entry mode decisions when firms evaluate the possibility to enter in a new market either through alliance or through a joint venture. Using data from a database compiled by the authors with 880 observations in the period 2000-2005 we test the possible effects of firm size, host country institutional characteristics, industry effects, functional activity involved and cultural distance on the entry-mode choice. Findings support the view that cultural distance matters and that the institutional and political features of the receiving countries are important. The results concerning the role of functional activities involved and the industrial sector are mixed. *(For more information, please contact: Antonio Majocchi, University of Pavia, Italy: antonio.majocchi@unipv.it)*

International Network Management: A Case Study of Finnish-Japanese Collaboration

Timo Järvensivu, Helsinki School of Economics

Merja Karppinen, Helsinki School of Economics

Katri Nykänen, Helsinki School of Economics

The focus of network research is turning towards understanding their management, but we still lack understanding of network management in its specific contexts. In this paper we will develop a framework of network management for an international context. First we introduce a network management framework based

on four required managerial functions (framing, activating, mobilizing and synthesizing) that we believe to be universal to all kinds of networks. Next we discuss theoretically as well as study empirically how national cultural differences may shape international network management. A case study of Finnish-Japanese collaboration is presented to illustrate the discussion as well as to develop the framework. *(For more information, please contact: Timo Järvensivu, Helsinki School of Economics, Finland: timo.jarvensivu@hse.fi)*

Virtual Value Chain Orchestration and Innovation – A Model and Case Studies
Andreas Hinterhuber, Università Bocconi

This paper examines the concept of virtual value chain orchestration, an emergent phenomenon of strategizing and organizing. Virtual value chain orchestration is intended as way to create and capture value by structuring, coordinating, and integrating activities of previously unrelated markets and by effectively relating these activities to in-house operations with the aim of developing a network of activities that link previously unrelated industries and that create fundamentally new markets. The research is based on an in-depth analysis of the agrochemical and biotech industry and is illustrated by two case studies.

Based on the preliminary results of these case studies, the paper concludes that the orchestration of external value chains belonging to an extended network of diverse partner companies leads to superior financial results *(For more information, please contact: Andreas Hinterhuber, Bocconi University, Italy: andreas@hinterhuber.org)*

Effects of Inter-organizational Knowledge Transfer and Reputation on the Performance of Chinese Companies
Kathleen, Yi Jia Low, City University of Hong Kong
James Arthur Robins, Singapore Management University

In this study, we explore means by which companies in emerging and transitional economies deal with problems of acquiring new knowledge. We focus on inter-organizational knowledge transfer, examining its relationship to firm performance. Our research responds to two gaps in the work to date. As Williams (2007) points out, there is a need for more empirical work that on the effects of knowledge-transfers on performance. We also respond the general call of Hitt et al (2000) and Meyer (2004) for research that examines business in emerging economies from the standpoint of local firms.

Data from a sample of small and medium-sized manufacturing enterprises in China are used to examine this approach in an empirical context. We find that knowledge from external sources has an important impact on the performance of SME manufacturing firms in China, and that the status of the firms that provide knowledge is important in determining the value of the knowledge. Knowledge transfer from foreign sources of knowledge proves to have a positive effect on firm performance, even when there is little evidence that the relationship with the specific knowledge source provides benefits to reputation.

(For more information, please contact: James Arthur Robins, Singapore Management University, Singapore: jrobins@smu.edu.sg)

Alliance Best Practices and Evolution of Organizational Capabilities: A Case Study Survey
Stefano Denicolai, University of Pavia
Antonella Zucchella, Università degli Studi di Pavia

The aim of this paper is to study the impact of the alliance/network best practices on the evolution of internal organizational capabilities. The core idea is that kind of best practices – at the domestic and international level – represent different superior abilities to exploit and to explore collaborative know-how (Simonin, 1997) which enhance inter-firm learning processes, with a positive effect on the renewal of capabilities and products.

The empirical section proposes the most interesting issues about three case studies concerning well known international/multinational firms. Each case study was developed by using qualitative methods (Eisenhardt, 1989; Yin, 2003) and satisfies all main validity parameters.

The expected result is a better understanding about the role of different network practices in order to re-direct inter-organizational learning, leverage on collaborative knowledge, affect network formation and structure. *(For more information, please contact: Stefano Denicolai, University of Pavia, Italy: stefano.denicolai@eco.unipv.it)*

Opportunism as a Key Inhibitor in Developing Long-term Oriented Western-Chinese Business Relationships

Bradley Barnes, University of Kent
Leonidas Leonidou, University of Cyprus
Noel Y.M. Siu, Hong Kong Baptist University
Constantinos Leonidou, Leeds University

The manuscript focuses on the working relationships between Western export manufacturers and their Chinese import buyers. It particularly highlights the harmful effect of exporter's opportunism on the satisfaction and long-term orientation of the relationship as this is perceived by the importer, through the mediating role of key behavioral constructs (namely trust, commitment, conflict, and communication). Based on a sample of 202 Hong Kong-based import companies, the study confirmed that: (a) the exporter's opportunistic behavior reduces importer's trust, while at the same time generates conflict in the working relationship; (b) the existence of trust by the importer on the exporter enhances relationship commitment; (c) the prevalence of dysfunctional conflict impedes the quality of communication among the interactive parties; (d) high levels of commitment and communication help to increase satisfaction with the relationship; and (e) a high degree of satisfaction is conducive toward adopting a long-term orientation in the relationship. *(For more information, please contact: Constantinos Leonidou, Leeds University, United Kingdom: buscle@leeds.ac.uk)*

Theoretical Perspectives in International Marketing

Jeannette Mena, Michigan State University
G. Tomas M. Hult, Michigan State University

Scholars in the field of marketing often borrow theories from other academic disciplines such as economics, sociology, and psychology to conduct research due to the lack of an encompassing marketing theory. While some of these theories have received considerable attention in the international marketing arena, others have been largely neglected. This study provides a brief overview of four important theoretical perspectives – agency theory, industrial organization, resource-based view of the firm, and transaction cost analysis. It identifies studies that have used these theories in international marketing and proposes areas of research where they can be potentially fruitful. *(For more information, please contact: Jeannette A. Mena, Michigan State University, United States: menajean@msu.edu)*

Session: 1.1.8 - Interactive

Track: Track: 4 - Subsidiary Evolution and Strategy

Subsidiary Strategy and Performance

Presented On: July 1, 2008 - 09:00-10:15

Chair: Chang Hoon Oh, Brock University

Subsidiaries in Motion: Assessing the Impact of Sunk vs. Flexible Assets

Elizabeth Maitland, University of New South Wales
André Sammartino, University of Melbourne

This paper addresses an unresolved theoretical issue in international business: the impact of existing, committed assets on parent and subsidiary decisions on future configurations of value-adding activities in host locations. To explore this issue, we develop a measure of investment committedness, or the degree of flexibility versus specificity of existing assets in a location. The measure assesses the extent to which assets, such as brands, human capital, process technologies and supplier relations, retain only scrap value outside their current application, or whether they can be: re-deployed to alternative value-adding activities in the host location; or shifted offshore, either within the multinational enterprise (MNE) or to another user. The measure is a key step in developing a model of strategic choice for the future configuration of value-adding activities by MNEs in host locations. Drawing on firm-specific data from 237 MNE subsidiaries operating in Australia, we first present a traditional integration-responsiveness classification of subsidiary activities. This is then compared and contrasted with the measure's preliminary findings on the levels of investment committedness and strategic flexibility available to the sample MNEs and how this may shape strategic allocation decisions, including divestment and withdrawal. *(For more information, please contact: Elizabeth Maitland, University of New South Wales, Australia: e.maitland@unsw.edu.au)*

Impact of FDI Strategy on the Performance of Indian Pharmaceutical Subsidiaries
Pooja Thakur, Rutgers University

The paper examines the impact of FDI strategy of the multinational firm on the performance of its subsidiaries. Specifically, we examine whether there exists a difference in the performance of subsidiaries that are acquired as compared to those that are created through Greenfield investments. The paper also examines whether the impact of FDI strategy on performance will be different for subsidiaries that are acquired for technological motives. The paper focuses on the period 1998-2006 and analyzes data on 33 subsidiaries of Indian-incorporated pharmaceutical firms. Controlling for unobserved country characteristics the results show that subsidiary performance is higher for those subsidiaries formed through Greenfield investments. *(For more information, please contact: Pooja Thakur, Rutgers University, United States: thakur@pegasus.rutgers.edu)*

Foreign Parent Contributions, Experiences and International Joint Venture Control and Performance
Le Huu Nguyen, University of Vaasa

The paper aims to investigate the influence of parent contributions and prior international joint venture (IJV) experiences on IJV control and performance. IJV control is conceptualized across three dimensions including control mechanism, control focus, and control extent. The empirical evidence is based on the survey of Finnish firms that have established IJVs with local firms in the 1990s. The results showed that in different groups of contributions, parent firms prefer different control structures and these have differently influenced to IJV performance. The results also reveal that parent firms deployed different control structures in their IJVs according to their prior IJV experience. The more experience the parents have, the less control they exercise over their IJVs. Besides, the more experienced in IJVs the foreign parent firms have the better IJV performance is. In addition, the prior IJV experience of foreign parent firms influenced differently on total performance and financial performance. *(For more information, please contact: Le Huu Nguyen, Marketing Department, University of Vaasa, Finland: nghl@uwasa.fi)*

Regional and Global Strategies in the Cosmetics Industry: The Evolution of Branded Sales and Subsidiaries
John W. Clarry, The College of New Jersey

Globalization is assumed to be transforming strategic management, but the impacts vary by industry and cultural contexts. Industries tend to differ in their potential for global integration, and there are debates over the best international strategy to follow. Global strategies employ common brands and similar products shared by most subsidiaries for economies of scale, while regional strategies have local offices to coordinate their sales,

marketing and products in one or more different regional markets. This paper examines the international strategies within the cosmetics industry by updating and narrowing the focus of Oh and Rugman's (2006) study. We confirm that most of the world's 30 largest cosmetics firms still use a home-based strategy, and have a majority of sales in their own region. Only two cosmetics firms have global strategies, and five firms have bi-regional strategies; but regionalization processes tend to exert stronger effects on local sales units.

We also show that there has been uneven market growth within different regions and cosmetic product segments, with faster growth in the Asia-Pacific region, in emerging markets, and skin care. There are a few companies with subsidiaries that have leading market shares in each region and product segment; but the leading firms differ across each regional market, and there are few consistent global leaders. We conclude that regional strategies and factors are prevalent in the cosmetics industry, but cross-border mergers and sharing of innovation downstream are raising global concentration levels.

(For more information, please contact: John W. Clarry, The College of New Jersey, United States: clarry@tcnj.edu)

The Relevance of Subsidiary Initiative for Late-movers: An Analysis of the Brazilian Multinationals

Afonso Fleury, University of São Paulo

Maria Tereza Leme Fleury, University of São Paulo

Felipe Mendes Borini, University of São Paulo

Moacir Miranda Oliveira Junior, University of São Paulo

The purpose of this paper is to analyze the role of subsidiaries of Brazilian MNEs - BrMNEs, investigating the conditions under which they develop initiatives vis-à-vis their headquarters. For this, a survey was carried out in a sample of 65 subsidiaries of 29 BrMNEs. The main outcome is that Initiative at the subsidiaries of BrMNEs is still limited. Even though the subsidiaries are characterized by high Integration with their headquarters and high Entrepreneurial Orientation, those are not determinants of subsidiaries' Initiatives. Actually, the main determinants of subsidiaries' initiatives are Local Context and Business Networking in the host country. This apparent paradox may be explained by what we are calling as 'rebellious subsidiaries', those which take initiatives based on their business environment connections (Local Context and Business Network), regardless of their headquarters' consent or delegation of Autonomy (ranked low in the survey). This is supported by the data analysis, which shows that the subsidiaries have high entrepreneurial capacity, combined with low Autonomy granted by their headquarters. The results contribute to the literature in the area of subsidiary strategy by establishing an initial assessment of the role that subsidiaries play in the strategies of the new multinationals from emerging economies. *(For more information, please contact: Afonso Fleury, University of Sao Paulo, Brazil: acfleury@usp.br)*

Implementing MNC Strategy in Emerging Market Subsidiaries: A Comparative Study of South Africa, Turkey, Morocco and Nigeria

Denzil Nightingale, University of Pretoria

Albert Wöcke, University of Pretoria

Saul Klein, University of Victoria

How do employees in MNC subsidiaries in different countries operationalize the MNC strategy? What factors either enhance or inhibit strategy implementation in subsidiaries? Are there particular features of emerging market subsidiaries that stand out for a developed country MNC? We examine these questions in the context of one MNC's pursuit of its global growth objective by looking at subsidiary implementation in four different emerging markets. *(For more information, please contact: Saul Klein, University of Victoria, Canada: sklein@uvic.ca)*

Defensive Initiatives and the Power of the Periphery: Towards a 'Ledger' of Corporate Entrepreneurship

Marcus M. Keupp, University of St. Gallen

Georg von Krogh, Swiss Federal Institute of Technology Zurich

Oliver Gassmann, University of St. Gallen

In this paper we critically question the assumption that corporate entrepreneurship from subsidiaries is always beneficial to both the subsidiary and the global firm. We inductively explore a longitudinal case study of a firm where corporate entrepreneurship is to the subsidiary's, but not the firm's benefit. From our findings we develop a process model of what we term 'defensive initiatives'. These represent a hitherto little noticed type of strategic initiative that the subsidiary uses against headquarters. Discussing the implications of these findings, we feature the idea of a 'ledger' of corporate entrepreneurship the global balance of which can be both beneficial and detrimental to the firm. *(For more information, please contact: Marcus M. Keupp, University of St. Gallen, Switzerland: marcus.keupp@unisg.ch)*

Antecedents and Performance Consequences of MNC Embeddedness Overlap – A Conceptual Model

Phillip Christopher Nell, Vienna University of Economics and Business Administration

Bodo B. Schlegelmilch, Vienna University of Economics and Business Administration

We develop a model which predicts embeddedness overlap, a situation in which subsidiaries as well as the HQs of MNCs are both strongly embedded to the same external network actors. This phenomenon is commonly seen in large MNCs and has started to attract scholarly attention. Yet, the literature provides little insight into the conditions under which it is beneficial or harmful to the MNC. In fact, consequences of embeddedness overlap are very important. It might be beneficial as it could help the differentiated MNC to profit from subsidiary embeddedness while it helps the HQ to gather knowledge of their subsidiary network. In turn, this would make life easier for a HQ and its task of aligning the whole organization and finding appropriate coordination mechanisms. On the other hand, embeddedness overlap runs counter the traditional logic of task differentiation and creates duplication of activities. In the body of the paper we develop a theoretical framework with organizational and environmental conditions under which MNC embeddedness overlap is expected to occur. *(For more information, please contact: Phillip Christopher Nell, Vienna University of Economics and Business Administration, Austria: phillip.nell@wu-wien.ac.at)*

Session: 1.1.9 - Interactive**Track: Track: 7 - FDI, Location, Firm-Location Interaction*****New Frontiers of FDI Research***

Presented On: July 1, 2008 - 09:00-10:15

Chair: Elizabeth L. Rose, University of Hawaii at Manoa and Victoria University of Wellington

Location Decisions and Clusters in the Indonesian Electronics Industry from the Perspectives of the MNE and the Host Government

Janti Gunawan, Sepuluh Nopember Institute of Technology

Elizabeth L. Rose, University of Hawaii at Manoa and Victoria University of Wellington

Peter J Dowling, Victoria University of Wellington

Wahyu Sutiyono, University of Canberra

Srigunani Partiw, Sepuluh Nopember Institute of Technology

For several decades, foreign direct investment (FDI) has been employed as a means of upgrading domestic companies in Indonesia, with both industry- and location-based incentives on offer. As an emerging economy, Indonesia's trade and investment policies have been changing through time. Since 2005, the development of

clusters has been an important government strategy, aimed at improving local industries' capabilities for competing in the global market. This paper investigates how FDI location decisions and clustering interact, in the context of Indonesia's emerging economy. We find evidence of FDI and cluster-type relationships in Jabotabek, one of three industrial regions considered. Institutional aspects, the absorptive capacities of local players, and MNE's strategies are keys in the fit between MNEs and the host country environment. The Panasonic Partners Club (PPC) can be viewed as an example of how MNEs and local suppliers can work together to develop an electronics cluster in an emerging economy.

(For more information, please contact: Peter J Dowling, Victoria University of Wellington, New Zealand: Peter.Dowling@vuw.ac.nz)

To Imitate or to Stand by: Foreign Direct Investment and Competitive Response of Indigenous Firms

Xiaolan Feng, Peking University
Changqi Wu, Peking University

This paper investigates the competitive response of local firms in the host country to two different types of competitive actions of foreign entrants---tactical action and strategic action. We argue that because of local firms' inexperience in competition with multinationals, they tend to imitate their foreign competitors' actions. Furthermore, we propose that this competitive imitation is conditional on the strategic similarity and size similarity between local firms and their foreign competitors. Based on a longitudinal dataset consisting of 423 pair of leading foreign invested firms and leading domestic firms in 423 4-digit industries in China between 1998 and 2002, we found strong support for local firms' imitation of their foreign opponents' tactical action, which is moderated by the two firms' strategic similarity. No evidence about the imitation of strategic action is found.

(For more information, please contact: Xiaolan Feng, Guanghua School of Management, Peking University, China: fengxiaolan@gsm.pku.edu.cn)

Empirical Study on the Technology Spillover Effect Caused by Foreign Direct Investment in China

Jian Du, Zhejiang University
Huiping Li, Ramapo College of New Jersey
Xiaobo Wu, Zhejiang University

Drawing upon data collected in 37 industries in China between 1998 and 2003, this empirical study examines the degree to which three factors -- size of technology gap, absorptive capacity and technology intensiveness -- influence a "negative spillover effect" in reaction to foreign direct investment. Our result shows that the size of the technology gap between local industry and foreign invested companies does not impact whether the infusion of foreign direct investment will produce a "negative spillover effect". However, there is a significant correlation between each of the other two factors and a negative spillover effect. That a large absorptive capacity of local firms in a technologically intensive industry can have a moderating effect on any negative spillover effect is obvious. But as the absorptive capacity of the local industry and the technological intensiveness of the industry decline, this moderating effect becomes statistically insignificant. This study demonstrates that the ability for the local industries to catch up depends on the domestic firm's participation in the process of technological innovation and improvement. To overcome technological dependence in high-tech industries, domestic firms have to strengthen their technological absorptive capacity and their own innovative capabilities. (For more information, please contact: Huiping Li, Ramapo College of New Jersey, United States: hli@ramapo.edu)

Indirect Spillover Effects of Buyer Seller Relationships between Multinationals and Local Firms in the Context of Clusters: The Case of Honduras

Nila M. Wiese, University of Puget Sound

There is a significant body of research that explores the role of foreign direct investment in the economic development of the host country. Positive spillover effects of MNCs include gains in employment, productivity, exports, and technology transfer. Clusters and their effects on the competitiveness of firms within the cluster have also received attention in recent years. This paper attempts to extend these two bodies of literature by asking two questions (1) do buyer-seller relationships between MNCs and local firms have indirect spillover effects on the economic development of the host country? and (2) can the positive effects of clusters extend beyond competitive gains for firms to economic development for the community and region where the cluster is located? We use a case study approach to examine the impact of buyer-seller relationships between multinationals and local firms in the context of a manufacturing cluster in Honduras. We examine four different types of linkages between MNCs and local firms, and the spillover effects on the municipality of Villanueva. Preliminary findings indicate significant gains in income and quality of life for the community of Villanueva derived from the buyer-seller relationships between the MNCs and local firms. *(For more information, please contact: Nila M. Wiese, University of Puget Sound, United States: nwiese@ups.edu)*

The Effect of a Firm's Reputation on Foreign Entry Mode Strategy and Post-Entry Identity

Charles Edward Stevens, The Ohio State University
Erin Elizabeth Coyne, The Ohio State University

One of the most important decisions that a firm must make as it engages in foreign direct investment (FDI) is its choice of entry mode. Traditional studies using transaction cost economics (TCE) tend to look primarily at attributes of the transaction—asset specificity, uncertainty, and frequency—as predictors of entry mode choice. This paper uses TCE logic but explores how firms' differences in reputation, a key firm-specific intangible asset, affect their choice of entry mode. We continue by examining the role that reputation has on the strategic choices firms make as they establish their identity in the local market. By exploring the firm's reputation from the viewpoint of potential business partners and consumers, we add a new perspective on the decisions firms make as they invest in FDI. Taking into consideration intangible firm resources like reputation, we hope to add to our understanding of firms' strategies and performance with regard to entry mode choice and post-entry identity. *(For more information, please contact: Charles Edward Stevens, The Ohio State University, United States: stevens.316@osu.edu)*

The Effect of Outward Investment on Domestic R&D Spending: An Application of Propensity Score Matching Method

Kun-Ming Chen, National Chengchi University
Shu-Fei Yang, National Chengchi University

This paper examines the impact of a firm's outward foreign direct investment on its R&D spending in the home country using a propensity score matching method. Firm-level panel data on Taiwan's manufacturing firms covering 1987-2003 illustrate that Taiwanese manufacturing firms' outward foreign direct investment activities tend to stimulate their domestic R&D spending. It suggests that a firm's outward FDI and its domestic R&D strategies are complements instead of substitutes. The estimation results also indicate that the matching method used eliminates not only FDI selection bias but also R&D selection bias in estimating the impact of outward FDI on domestic R&D activity. It reveals that it is essential to construct an appropriate control group for comparison while examining the effect of foreign direct investment on domestic performance. *(For more information, please contact: Kun-Ming Chen, National Chengchi University, Taiwan, R.O.C.: kchen@nccu.edu.tw)*

Understanding the Impact of Regional Grouping Schemes in International Business Research using Simulated Annealing

Ricardo Gabriel Flores, University of Illinois at Urbana-Champaign
Paul M. Vaaler, University of Minnesota

International business research has long acknowledged the importance of regional factors for foreign direct investment ("FDI") by multinational corporations ("MNCs"). However, significant differences when defining these regions obscure the analysis about how and why regions matter. In response, we develop and empirically document support for a framework to evaluate alternative regional grouping schemes. We demonstrate application of this evaluative framework using data on the global location decisions by US-based MNCs in four alternative regional grouping schemes. We conclude with a discussion of implications for future research related to understanding the impact of country groupings on MNC FDI decisions. *(For more information, please contact: Ricardo Gabriel Flores, University of Illinois at Urbana-Champaign, United States: rgflores@uiuc.edu)*

Session: 1.2.1 - Panel

Track: Track: 6 - Learning, Knowledge and Innovation

Key Insights from 50 years of IB Research on MNE Governance: The Common Future of Internalization Theory, the Eclectic Paradigm and the Capabilities Approach

Presented On: July 1, 2008 - 10:40-11:55

Chair: John Dunning, Rutgers University and Reading University

Intellectual Contributions of Internalization Theory to Contemporary International Strategic Management and Linkages with the Eclectic Paradigm and the Capabilities Approach

Alan M. Rugman, Indiana University

Some Thoughts on the Future of Internalization Theory and the Inclusion of Capability Arguments

Shih-Fen S Chen, University of Western Ontario

The Eclectic Paradigm as an Envelope for Internalization Theory and the Capabilities Lens

Sarianna M. Lundan, University of Maastricht

Revisiting Internalization Theory/the Eclectic Paradigm Using a Capabilities Lens

Stephen B. Tallman, University of Richmond

Assessing the Value of Alternative Conceptual Lenses in IB

Bernard Yeung, New York University

This roundtable panel will assess the complementary contributions of three main theories that have deeply influenced IB theorizing on multinational enterprise (MNE) governance over the past 50 years, namely internalization theory, the eclectic paradigm and the capabilities approach. The focus will be on conceptual extensions that should be helpful to future IB research, and on the potential to build bridges linking internalization theory, the eclectic paradigm and the capabilities approach, so as to increase these theories' explanatory power in the realm of MNE governance. The roundtable panel's ultimate purpose is to outline the common future of these three approaches, meaning that key insights from all three should be used in conjunction with each other, in order to explain the evolution of MNE governance.

Building upon a number of foundational pieces, especially Rugman (1981, 25th anniversary edition in 2006) and Rugman (2005), as well as key contributions by each of the presenters, inter alia Madhok and Tallman (1998). Yeung (2003), Chen (2005), Dunning and Lundan (2008), and Verbeke (2008), the roundtable panel will demonstrate that the three above conceptual approaches, and their recent extensions are complementary building blocks to describe accurately many key MNE governance challenges, especially knowledge development and transfer challenges.

Session: 1.2.2 - Competitive

Track: Track: 1 - The Context of Global Business

The Evolving Frontier of Political Risk Management

Presented On: July 1, 2008 - 10:40-11:55

Chair: Stephen Kobrin, University of Pennsylvania

Policy Risk, Political Capabilities and International Investment Strategy: Evidence from the Global Electric Power Industry

Guy L.F. Holburn, University of Western Ontario

Bennet A. Zelner, Duke University

We contribute to the internationalization literature by examining how firms' home-country policymaking environments shape their international investment strategies. We argue that firms from home countries with fewer institutional checks and balances or higher levels of policy competition among diverse interest groups develop superior resources and capabilities for managing host-country policy risk, and are thus less likely to be deterred by such risk. Moreover, firms from home countries with sufficiently weak political checks and balances or sufficiently high policy competition seek out riskier host countries as a way of leveraging these resources and capabilities. Using panel data on foreign investments by the population of globally active power generation companies, originating from 28 home countries and investing in more than 60 host countries during the 1990s, we find evidence consistent with our hypotheses. *(For more information, please contact: Bennet Andrew Zelner, Duke University, United States: bzeln@duke.edu)*

Extending the Bargaining Power Model: Explaining Bargaining Outcomes Among Nations, MNEs and NGOs

James F. Nebus, University of North Carolina at Charlotte

Carlos Rufin, Suffolk University

Participants in international bargaining include different types (nation states, MNEs, NGOs) and number of actors. The theory presented analyzes bargaining in this complex environment using a network model. Antecedents of an actor's bargaining influence include the actor's power, bargaining outcome preference, and its motivation to influence bargaining. The theory is applied to a bargaining example of privatized electric utilities in the Dominican Republic. The model's advantages over conventional bargaining power include: applicability to MNE-related issues beyond FDI, effects of coalitions, strategies of less powerful actors leveraging more powerful allies, and analysis of international and domestic politics in one system. *(For more information, please contact: James F. Nebus, University of North Carolina Charlotte, United States: jfnebus@uncc.edu)*

Political Embeddedness and MNE Market Leadership: The Case of the Chinese Automobile Industry

Pei Sun, Fudan University

Kamel Mellahi, University of Sheffield

Eric Thun, University of Oxford

This paper sets out to examine the complex relationship between the embeddedness of multinational enterprises (MNEs) in host country political networks and their long-run competitive positions in host country markets. A longitudinal study of the Chinese automobile sector reveals how Volkswagen obtained competitive advantages over other MNEs since the 1980s through a dense, reciprocal network with central and local political forces. The study also shows how the embeddedness of Volkswagen in this seemingly enduring network contributed to a sudden loss of its market leadership in the first half of the 2000s, when there were profound, rapid changes in the Chinese market and institutional environments. On the basis of this longitudinal study, the

paper further develops testable theoretical propositions shedding light on the paradox of political embeddedness in creating and sustaining competitive advantages in emerging markets. *(For more information, please contact: Pei Sun, School of Management, Fudan University, China: sunpei_2000@hotmail.com)*

Family Business Group Structure and Non-Market Forces in Emerging Economies
Marleen Dieleman, National University of Singapore

Scholars agree that emerging market firms operating in weak institutional contexts are more likely to actively manage the non-market environment through building and nurturing political connections. This paper investigates the relationship between the structure of emerging market business groups and ties with politicians through an in-depth case study of a large Indonesian firm, covering five decades and three political regimes. Our results show that opaque business structures offer advantages in dealing with political ties in two ways. First, compartmentalization allows for inclusion of political actors in a limited section of the business group without allowing the political tie to wield influence in the entire group; and opaqueness of the group allows for complex reciprocal transactions with political actors. Second, opaque business group structures lower political risks in the event of a regime change. While institutional change may transform social capital with politicians into a liability, compartmentalization and obscuring ultimate ownership limit the impact of government intervention on the firm. We conclude that the structure of business groups can be used to reap advantages and minimize disadvantages of political connectedness. *(For more information, please contact: Marleen Dieleman, NUS Business School, Singapore: marleen@nus.edu.sg)*

Session: 1.2.3 - Competitive

Track: Track: 4 - Subsidiary Evolution and Strategy

Subsidiary Performance: Influences and Implications

Presented On: July 1, 2008 - 10:40-11:55

Chair: Michael J. Enright, University of Hong Kong

Towards a Model of Subsidiary Evolution as the Co-evolution of Identity and Capabilities
Christopher John Voisey, Vlerick Leuven Gent Management School

A strong perspective on the evolution of subsidiaries has conceptualized this as the enhancement or atrophy of organizational capabilities over time. Yet, institutional theorists point to the isomorphic pressures on subsidiaries to adapt to other organizations in their field, which suggests that a subsidiary's evolution depends upon its legitimacy in its host country, and with other organizations with which it interacts. Others have framed these isomorphic pressures on subsidiaries in terms of national identity. In a longitudinal study covering a 15-year period in the evolution of a Japanese MNC into the United States, I found that the subsidiary's members constructed an organizational identity through which they enacted their environment, organizational capabilities, strategy, and structure. These, in turn, recursively interacted with this identity in complex ways, either reinforcing the salient organizational identity or stressing it, leading to identity work through which members sought to construct a new identity. The dynamics of the organization's identity were different from how changes occurred in these other constructs, with identity playing the key role in the evolution of the subsidiary. It follows that the enhancement (depletion) of capabilities may lead to subsidiary decline (evolution) depending upon the effect this has upon the subsidiary's organizational identity. *(For more information, please contact: Christopher John Voisey, MIT Sloan School of Management, United Kingdom: cvoisey@mit.edu)*

Divestment and Firm Exit, Survival and Growth Strategies
Heather Berry, University of Pennsylvania

In this paper, I synthesize diverse literatures on divestment into a framework that focuses on country, industry, firm and subsidiary levels of influence on firm divestment decisions. While there are several trade-offs that firms can make within each of these levels, this paper highlights the trade-offs firms make across these four levels to understand when and why firms divest operations. Importantly, these trade-offs reveal several circumstances under which firms may not divest poorly performing operations. *(For more information, please contact: Heather Berry, Wharton, University of Pennsylvania, United States: berryh@wharton.upenn.edu)*

Competence-Creating Subsidiaries in Peripheral Regions: Theory and Evidence
Ram Mudambi, Temple University
Grazia D. Santangelo, University of Catania

Pressured by heightened levels of competition, MNEs are discovering pockets of resource munificence in non-traditional locations. These include locations in emerging market economies and in peripheral areas of advanced markets. In this paper, we investigate the challenges of exploiting such shallow resource pools. We examine the effectiveness of the strategic options available to MNEs in the geographical context of the peripheral EU province of Catania, located at the southern tip of the Italian peninsula. We argue that the timing of entry will be an important factor underlying the firm's strategy for accessing local resources. Based upon case study and statistical analysis, our results suggest that competence-creating subsidiaries emerge from (a) early movers, who use acquisitions to obtain insider status and lock in the most attractive local resources; and (b) from late movers who take advantage of new or upgraded resources that emerge from agglomeration effects. Second movers in regions with shallow resource pools have neither of these advantages and are forced to exploit the competencies of their parent MNEs. Our evidence supports the greater embeddedness and innovative performance of competence-creating subsidiaries by comparison to competence-exploiting ones. *(For more information, please contact: Grazia D. Santangelo, University of Catania, Italy: grsanta@unict.it)*

The Moderating Effect of Ownership Structure on Market Research to Increase Host Country Market Performance
Joerg Zimmermann, Max Planck Institute of Economics

This article investigates the impact of market research, and the related moderating effect of ownership structure, as strategic leverage point to overcome the liability associated with foreignness in host country markets. It is argued that market research is a valuable means for foreign ventures to obtain local knowledge. Nevertheless, ownership structure moderates the impact of market research on sales volume. Depending on the equity share and the related decision-making authority of the firm, ownership influences the firm ability to transfer adopted local knowledge into superior firm performance for foreign ventures. A hierarchical regression estimation procedure is applied to test the hypotheses. The empirical results for a sample of manufacturing firms active in the Spanish market are consistent with the theory. *(For more information, please contact: Joerg Zimmermann, Max Planck Institute of Economics, Germany: zimmermann@econ.mpg.de)*

Session: 1.2.4 - Competitive
Track: Track: 11 - FDI in and from Emerging Markets

FDI in Emerging Markets - A Host Country Perspective

Presented On: July 1, 2008 - 10:40-11:55

Chair: Klaus E. Meyer, University of Bath

The Regional Dimension of the Impact of Foreign Direct Investment on Host Economies: The Case of Ukraine
Victoria Kravtsova, Vienna Institute for International Economics

his paper contributes to the methodology of evaluating the impact of FDI on host countries by taking into account the impact of FDI on the regional level. The methodology also accounts for the effects on the technology as well as the efficiency of domestic firms. The empirical analysis focuses on the Ukraine and suggests that foreign presence has positive impact on the efficiency of domestic firms in the Eastern regions of Ukraine, but a negative effect on their technology. At the same time there is a positive spillover effect on the firms operating in the Western regions of Ukraine in terms of technical change. The different impacts of foreign presence on the performance of firms in two parts of Ukraine might reflect a deep institutional divergence between the western and eastern parts of the country.

(For more information, please contact: Victoria Kravtsova, Vienna Institute for International Economics, Ukraine: kravtsova@yahoo.com)

Determinants of FDI Entry Mode Decisions of Chinese MNCs

Lin Cui, Australian National University
Fuming Jiang, Australian National University
Bruce William Stening, Peking University

Based on an integrated theoretical framework of the determinants of foreign direct investment (FDI) entry mode decisions, comprising the perspectives of strategic behavior, transaction costs, organizational capabilities, and institutional influence, we first conducted a pilot investigation of ten Chinese multinational corporations (MNCs) with the aim of validating the framework. This was followed by a survey of 138 Chinese MNCs which examined the factors that affected those firms' FDI entry mode choice between wholly owned subsidiary (WOS) and joint venture (JV). The results suggest that the FDI entry mode choices of Chinese MNCs do not differ from those of Western or developed country MNCs from either an institutional or transaction cost perspective. However, there are major differences between Chinese and Western MNCs from an organizational capability and a strategic behavior perspective. The implications of these findings are discussed, focusing on the decision-making process used by Chinese MNCs in their FDI entry mode choices. (For more information, please contact: Lin Cui, The Australian National University, Australia: lin.cui@anu.edu.au)

FDI Spillovers and Product Innovations of Chinese Firms

Jing Li, Simon Fraser University
Dong Chen, Peking University
Daniel Shapiro, Simon Fraser University

We investigate theoretically and empirically the impact of foreign direct investment (FDI) on product innovations of local firms. Theoretically, we extend the existing FDI spillover literature that mainly focuses on industry-levels spillover effects by examining FDI spillovers at the firm and location levels. We introduce the knowledge-based view of firms into the FDI spillover literature and argue that knowledge spillovers likely occur when foreign firms form joint ventures with local firms, or when foreign firms are located in cities with concentrated foreign activities. Empirically, we utilize the product innovation information of over 39,700 Chinese firms in high

technology industries during 2000-2005 to find strong support for innovation spillovers within international joint ventures and locations. We also find contrasting results regarding the impact of foreign presence in a city on local innovations, contingent on how foreign presence in a city is measured. Our study has important implications for firms and government in emerging economies. *(For more information, please contact: Jing Li, Simon Fraser University, Canada: jingli@sfu.ca)*

Roles of Path Dependence, Dynamic Capabilities and Environmental Volatility: Taiwanese FDI in China
Chun-Ju Wang, Ming Chuan University
Lei-Yu Wu, National Taipei College of Business

China is the most popular country for Taiwanese firms when considering foreign investment because their similar culture. Does this location decision help firm competitiveness for Taiwanese firms? Can ways of conducting business in Taiwan be duplicated in China? This study examines the competitiveness implications of the path dependence, resource-based view, and dynamic capability of a firm under environmental volatility. Empirical results indicate that, in highly volatile environments, though resource-based view still explains the competitiveness differences, dynamic capability is relatively more important, and experience does not enhance firm competitiveness. *(For more information, please contact: Lei-Yu Wu, National Taipei College of Business, Taiwan, R.O.C.: wuly@mail.ntcb.edu.tw)*

Session: 1.2.5 - Competitive

Track: Track: 6 - Learning, Knowledge and Innovation

The Role of Country Specificities in Knowledge Creation and Transfer

Presented On: July 1, 2008 - 10:40-11:55

Chair: Christoph Grimpe, Centre for European Economic Research (ZEW)

Search Patterns in Transition Economies: A Comparison of Thirteen European Countries
Christoph Grimpe, Centre for European Economic Research (ZEW)
Wolfgang Sofka, Centre for European Economic Research (ZEW)

Searching for externally available knowledge has been characterised as a vital part of the innovation process. The availability of such innovation impulses, however, critically depends on the environment a firm is operating in. Little is known on how national environments differ with respect to the munificence in providing innovation impulses. These differences may be particularly pronounced between transition economies and established market economies. We argue that firms from transition and established economies differ in their search pattern and that these search patterns moderate the relationship between innovation inputs and outputs. Based on a sample of almost 7,000 firms from 13 European countries we find strong support for open innovation strategies in both settings. However, performance differs in established and transition economy contexts. *(For more information, please contact: Christoph Grimpe, Centre for European Economic Research (ZEW), Germany: grimpe@zew.de)*

The Effects of Ownership Structure and Financial System on Technology Capabilities across Countries
Soo Hee Lee, Birkbeck, University of London
Hee Sun Kim, Birkbeck, University of London

This paper aims to explore how corporate ownership structure and financial market structure affect national innovation capabilities across countries. In this preliminary work, previous theoretical and empirical studies for innovation, institutions, finance and corporate governance were integrated by an empirical model. The existing

literatures have mainly focused on the micro-level analysis due to difficulties in moderating huge technology gaps, different level of economic or finance development and various institutions across countries. Eight hypotheses for corporate ownership structure (ownership concentration and insider ownership) and financial market structure (investor protection and market capitalization) on patents and R&D expenditure were tested with a sample of 49 countries through Ordinary Least Squares (OLS) and Negative Binomial Count (NBC) techniques. Our findings show that ownership concentration has a significant effect on both technological innovation investment (R&D expenditure) and creation (patents) whereas market capitalization has no relation to those innovative activities at the national level. Only insider ownership and investor protection has influence on patents and R&D expenditure respectively. *(For more information, please contact: Soo Hee Lee, Birkbeck, University of London, United Kingdom: s.lee@bbk.ac.uk)*

FDI and World Inequalities: The Role of Absorptive Capacities

Isabel Alvarez, Universidad Complutense de Madrid
Raquel Marin, Universidad Complutense de Madrid

The literature agrees that FDI may contribute to the local upgrading of host economies and the technological strategies of MNCs may determine the existence and size of spillover. Regarding FDI entry modes, M&As show a higher level of interaction with the local productive systems. Accordingly, their impacts might also differ depending on the development level of countries and on the characteristics of the national systems. Our attempt is to detect the local determinants explaining the worldwide evolution of FDI and particularly cross-border M&As flows. We explore the strengths of the traditional explanation of FDI as well as the relevance of the institutional stability and the consolidation of national absorptive capabilities, key features of the national systems. Our findings confirm that the factors that at the country level affecting general FDI differ from those concerning cross-border M&As. Structural factors explain better the FDI behaviour while the factors of national systems of innovation are more closely related to cross-border M&As trend. Finally, although international inequalities persist when both developed and developing countries are considered, it is noticeable the heterogeneity that characterises the developing world. *(For more information, please contact: Isabel Alvarez, Universidad Complutense de Madrid, Spain: isabel.alvarez@ccee.ucm.es)*

Gains and Losses from the Misperception of Country of Origin: The Role of Brand and Country of Origin Image

George Balabanis, City University of London
Adamantios Diamantopoulos, University of Vienna

There is abounding empirical evidence that consumers tend to assign brands to different counties of origins than the real one. The study examines the effects and direction of such misclassifications on brand image perception, purchase intentions and prices consumer are willing to pay. The key theoretical propositions tested are (1) that misclassification of brands to countries with weaker images will lead to losses (and the opposite) (2) strong brands are less vulnerable to adverse COO misclassifications than weak brands. Results from 12 brands in UK show that misclassification leads to losses in most cases; and that strong brands lose more *(For more information, please contact: George Balababnis, City University of London, United Kingdom: g.balabanis@city.ac.uk)*

Session: 1.2.6 - Competitive

Track: Track: 9 - Internationalization and Intl. Marketing

International Relationship Strategies

Presented On: July 1, 2008 - 10:40-11:55

Chair: Francesco Ciabuschi, Uppsala University

Information Technology and Relational Governance in Innovative Outsourcing Agreements – Empirical Investigation in the Taiwanese Electronics Industry

Ruey-Jer "Bryan" Jean, Manchester Business School
Rudolf R. Sinkovics, University of Manchester

In seeking to understand relationships between smaller suppliers and larger customers, there is a growing interest in examining the characteristics of asymmetry in relationships. This study examines how suppliers could use Information technology (IT) as strategic resources and governance enablers to offset the asymmetry in bargaining power and value creation in the international supply chain relationship. Drawing on resource-based view (RBV) and transaction cost economic (TCE) and from a supplier perspective, we propose that two types of IT resources: IT advancement and electronic integration could reap certain benefits for suppliers with respect to innovativeness and market performance. We argue that this process is mediated by three specific forms of governance: cooperative norm, output control and process control. Moreover, we argue that cultural distance would moderate the process of IT-mediated international B2B relationship. The hypotheses are tested using data from 240 Taiwanese supplier-international customer relationships in electronics industry. Findings suggest that two different IT resources accrue supplier innovativeness and market performance through contributing to enhancing different types of governance mechanisms. These findings provide a deeper understanding of the mechanism of how IT resources can result in organizational benefits for suppliers firms in relation with larger customers in international market. *(For more information, please contact: Ruey-Jer 'Bryan' Jean, Manchester Business School, United Kingdom: bryan.jean@postgrad.mbs.ac.uk)*

The Marriage between Two Research Paths: Agency Theory and International Marketing

Liu Wang, Old Dominion University

Although agency theory has been applied to various aspects of domestic marketing research, the extant literature has not provided sufficient explanations for various agency relationships in international settings, and the agency perspective has not been generalized in many sub-areas of international marketing. The present paper addresses this missing piece and provides an initial attempt to bridge the gap. Instead of simply suggesting that agency theory should be utilized in explaining the complex intra- and inter-firm relationships in the process of international marketing, we offer a useful framework that could help future researchers in identifying potential applications of agency-based constructs in international marketing research. *(For more information, please contact: Liu Wang, Old Dominion University, United States: L2WANG@ODU.EDU)*

Balancing Intermediated Business Relationships in Emerging Country Markets

A. Joachim Timlon, University of Kalmar/Baltic Business School
Mikael Hilmeresson, University of Kalmar/Baltic Business School

Due to high uncertainty experienced in Emerging country markets, Internationalizing firms tend to choose low cost and flexible entry nodes, i.e. linking up indirectly to the final customer via an intermediary. A major strategic issue is then how to make an efficient trade-off between linking up to the final customer and the intermediary, primarily to reduce Information asymmetry and to prevent Distributor opportunism. In this paper we argue that such an efficient trade-off is a relationship building process that involves organizational learning.

It is a 'balancing act' in which Internationalization knowledge is exploited at the same time as new knowledge together with the intermediary is explored. It occurs as the internationalization knowledge is feeded-forward to the intermediary and business network experiential knowledge is feeded-back to the Internationalizing firm. The matching of both actors' knowledge can be described as an organizational learning process institutionalizing Business Marketing Knowledge. Thus, a joint knowledge platform is created enhancing the intermediary's capacity to more independently do business on behalf of the Internationalizing firm, which, in turn, is enabled to take the next step in the internationalization process entering a new (emerging) market. *(For more information, please contact: Mikael Hilmeresson, University of Kalmar/Baltic Business School, Sweden: mikael.hilmeresson@hik.se)*

Global Brands: A Multi-level, Multi-country Analysis
Burcu Tasoluk, Sabanci University

This study investigates the effect of perceived globalness on consumer's ownership of global brands. We address: (1) whether perceived brand globalness adds to explanation once brand quality and prestige are accounted for; (2) whether the strength of association of brand ownership with quality and prestige is contingent on perceived brand globalness; and (3) how these relationships vary across countries and regions with different degrees of globalization. To this end, we use hierarchical generalized linear model with a three-level structure. This design consists of consumers (level 1) nested within countries (level 2), which are nested within regions (level 3). The model is tested with data across 30 countries from 30,375 face-to-face interviews with consumers, evaluating 36 global brands. The findings reveal that, global brand characteristics (including perceived quality, prestige, and globalness, along with their interactions) play a complex role on brand ownership. In addition, these relationships are sensitive to contextual contingencies. *(For more information, please contact: Burcu Tasoluk, Sabanci University, Turkey: tasolukb@sabanciuniv.edu)*

Session: 1.2.7 - Competitive
Track: Track: 7 - FDI, Location, Firm-Location Interaction

Entry Modes

Presented On: July 1, 2008 - 10:40-11:55

Chair: Keith D. Brouthers, King's College London

Do Foreign Subsidiaries' Capability Mandates Determine Equity Ownership?
Lutz Kaufmann, WHU-Otto Beisheim School of Management
Matthias Koch, WHU-Otto Beisheim School of Management

Following an organizational capabilities perspective, this study empirically examines the relationship between the mandate to augment and exploit a firm's capabilities and equity ownership. By means of the Capability Transfer Balance (CTB) we measure continuously the capability transfers within the MNC. It is hypothesized to be influenced by a) locational and b) ownership factors.

The data were gathered during personal interviews in 502 German subsidiaries in twelve countries. A structural equation model using PLS is analyzed. Results suggest that wholly owned subsidiaries are established for the exploitation of existing capabilities when significant market opportunities exist. In contrast, modes with lower equity prevail when the MNC augments its stock of capabilities by accessing favorable factor markets. The analysis of the moderators 'age of the subsidiary' and 'maturity of the market' reveals a strategic shift: younger subsidiaries have the mandate to exploit, older entities to augment the capabilities. Our results show that despite the higher external uncertainty, lower equity shares are preferred in emerging countries in order to access favorable factor markets. Our study contributes to the understanding of determinants of equity in a

foreign country, particular in emerging countries. The construct, CTB, enhances the existing measurement of capability transfers. *(For more information, please contact: Lutz Kaufmann, WHU-Otto Beisheim School of Management, Germany: kaufmann@whu.edu)*

A Model of Optimal Allocation between Exporting and FDI: Integrating Transaction Costs and Economies of Scale

Min-Chan Pyo, George Washington University
Jiawen Yang, George Washington University

This paper develops a theoretical model of mixed foreign market entry strategies that simultaneously takes into account (1) the internalization theory to explain motivations of FDI and (2) the monopolistic competition model for exporting. Earlier studies on a firm's foreign market entry mode have emphasized the decision between FDI and exporting. These studies rest on the assumption that a firm chooses only one type of entry mode. The model developed in this paper shows that a firm, through a mixed entry strategy combining FDI and exporting, can provide goods to a foreign country with less cost than by choosing only one single foreign market entry mode when there are simultaneously scale economies effects and transaction costs. The model provides valuable insights into the complex foreign market entry decisions by firms in the real world. Many multinational corporations do actually choose mixed entry strategies. *(For more information, please contact: Min-Chan Pyo, George Washington University, Korea, South: minpyo@gmail.com)*

A Managerial Approach to Entry Mode Selection: Control and Resource Requirements and Trade-off Decisions

Andreas Pavlou Petrou, CIIM

This study takes a managerial approach to examine how managers' control and resource objectives and trade-off decisions influence the choice of entry mode.

We tested a model based on data collected from bank managers involved in 124 foreign market entries. The model considered managers' control and resource objectives; their willingness to trade-off control for access local resources; and constraints to entry, namely: regulation and information asymmetries.

The results of our work suggest that Multinational Banks (MNBs) seek control over foreign ventures, favouring start-up or acquisition modes of entry. However, our survey also reveals a greater number of joint ventures than can be accounted for by purely regulatory constraints, suggesting that managers are willing to forgo degrees of control where they perceive a need to access local resources. Given that joint ventures is a frequent mode of entry in banking we also investigated factors that discriminate between start-up joint ventures and acquisition joint ventures. Our findings suggest that control trade-off and difficulty to assess acquisitions result in selection of acquisition joint ventures whereas, country risks and product focused entries are associated with choice of start-up joint ventures.

This study makes a contribution to research first, by evaluating the effect of managers' trade-off decisions on entry mode selection, a factor not investigated in the past and second, by exploring differences between different types of joint ventures. *(For more information, please contact: Andreas Pavlou Petrou, CIIM, Cyprus: andreas.petrou@ciim.ac.cy)*

Psychic Distance, International Experience and Establishment Mode

Douglas Dow, Melbourne Business School
Jorma Larimo, University of Vaasa

Until now, the concept of psychic distance has been almost exclusively operationalized in establishment mode research using Kogut & Singh's (1988) index of national cultural differences (Hofstede, 1980). In this paper, a

more comprehensive set of psychic distance indicators, based on scales first put forward by Dow & Karunaratna (2006) are applied to a data set of outward Nordic FDI between 1993 and 1999. The analyses show that Kogut & Singh's index only captures approximately one quarter of the full effect, and that not properly measuring and controlling for psychic distance has the potential to distort the relationship between international experience and establishment mode choice. A moderating effect between experience and psychic distance is also investigated but no support is found for this effect. *(For more information, please contact: Douglas Dow, Melbourne Business School, The University of Melbourne, Australia: d.dow@mbs.edu)*

Session: 1.2.8 - Competitive

Track: Track: 11 - FDI in and from Emerging Markets

Business Groups and Performance - Evidence from Emerging Markets

Presented On: July 1, 2008 - 10:40-11:55

Chair: Bindu J. Vyas, King's College

Strategic Adaptation and Firm Performance: The Role of Ownership Structure and Business Group Affiliation
Ajai S Gaur, Old Dominion University

We link agency theory and an institutional theory perspective to predict the performance consequences of the choice to collaborate with foreign firms and the choice to exit the market. We argue that strategic choices such as collaboration with foreign firms or exiting the market, in the case of business group affiliated firms, have a positive impact on a firm's performance. However, the relationship between these two strategic choices and a firm's performance is contingent on the governance structure of the firm. Results based on a longitudinal sample of 9,926 Indian firms over a 17 year period from 1989 to 2005 largely support my arguments. *(For more information, please contact: Ajai S Gaur, Old Dominion University, United States: agaur@odu.edu)*

The Effect of Business Group Affiliation and Internationalization on the Technological Capabilities of Software Firms

Anna Lamin, Northeastern University

Scholars are increasingly interested in ascertaining the competitiveness of firms from emerging economies. In this study, I examine two factors that influence the technological capabilities of emerging economy firms in a high technology industry. I generate competing arguments on whether business group affiliation supports the development of more complex technological capabilities or acts as a disincentive against development. I also contend that internationalization, mainly through exporting, facilitates the development of these capabilities. I test the arguments on a sample of Indian software services firms from 1992 to 2001. The dependent variable is constructed using software expert coders. I find that international activity does support the development of complex technological capabilities, as does affiliation with a moderately diversified business group. *(For more information, please contact: Anna Lamin, Northeastern University, United States: a.lamin@neu.edu)*

Emerging Multinationals: Role of Inward Internationalization and Business Groups

Raveendra Chittoor, Indian Institute of Management Calcutta

Sougata Ray, Indian Institute of Management Calcutta

Preet S. Aulakh, York University

This paper investigates the factors leading to multinationality of Indian information technology services firms, despite an institutional environment characterized by low resource munificence. The paper proposes that business group and internationalization of resource-bases serve as two unique mechanisms to overcome the

internationalization barriers common to emerging economy firms. Using longitudinal data on 63 firms from the Indian information technology services sector, we find that outward internationalization is enabled by firms accessing international financial resources and managerial resources. Further, we theorize and find support for our prediction that business groups constitute an inertial barrier and constrain emerging economy firms' initial internationalization efforts; however, through leveraging of group resources, groups facilitate firms' higher modes of international expansion such as multinationality. *(For more information, please contact: Raveendra Chittoor, Indian Institute of Management Calcutta, India: rchittoor@gmail.com)*

Session: 1.2.9 - Competitive

Track: Track: 1 - The Context of Global Business

Origins of Institutions

Presented On: July 1, 2008 - 10:40-11:55

Chair: Michael A. Witt, INSEAD

Farmers and Capitalism

Richard Wayne Carney, RSIS, NTU

Most analyses of modern capitalism focus on bargains struck between workers, managers, and owners (and the different types of firms they inhabit). But considering the substantial influence of institutional inertia on modern outcomes, it is necessary to examine the origins, and to consider which actors were most important in the early construction of capitalist systems. In this regard, farmers have played a critical role. I examine four cases - early 19th Century United States, early 20th Century United States, post-WWII France, and post-WWII Japan - to assess farmers' influence on the origins of contemporary institutions, and find that they have played an important, though frequently overlooked, role. *(For more information, please contact: Richard Carney, RSIS, NTU, Singapore: iscarneyr@ntu.edu.sg)*

Chinese Capitalism in the OECD Mirror

Richard Wayne Carney, RSIS, NTU

As China's economy grows and matures, is it developing institutional patterns that resemble those of other wealthy countries? By examining the origins of modern capitalist institutions among wealthy countries, and how interests structured them, I draw implications for China. Specifically, I find that China resembles continental European capitalism far more than Anglo-American capitalism, and that it is likely to remain this way for the foreseeable future. *(For more information, please contact: Richard Wayne Carney, RSIS, NTU, Singapore: iscarneyr@ntu.edu.sg)*

A Study of Millennium Companies: Local Strategy vs. Global Strategy

Kiyohiko Ito, University of Hawaii at Manoa

Elizabeth L. Rose, University of Hawaii at Manoa and Victoria University of Wellington

Business success can be measured in various ways. While profits and assets are very important, we focus on longevity. Considering some companies with more than 500 years of continuous history in Japan, we compare their operational principles to those of large, global corporations. The long-lived, "millennium" companies appear to pursue strategies that are fundamentally sound and consistent with their resources. Engaging in businesses that are small scale and locally-embedded, characterized by low levels of growth and technology, and integrating their limited resources, these firms achieve success by thriving for many centuries. In general, the key success factors for companies competing globally are well-understood, and include diversification, the

development of low-cost structures using economies of scale, and the use of technology to upgrade products and services. Effectively, success is a matter of global focus and market expansion. On the other hand, key success factors for the very old Japanese firms can be better represented as local focus and resource integration. Both approaches have their own benefits and costs, and both offer the potential for real success. (For more information, please contact: Kiyohiko Ito, University of Hawaii at Manoa, United States: k.ito@hawaii.edu)

International Migration – Push Factors

Abraham Johannes Oberholster, Nova Southeastern University

A general determinant model on international migration determinants is presented. The push factor dimension of the model is empirically tested using secondary data on 186 countries. Results show that GDP (PPP) per capita, inflation, population density, land area, and life expectancy are significantly associated with migration. The findings suggest that migrants are willing to take on international migration hardships when they firstly, expect to live long enough in the country of destination to reap the benefits of migration and secondly, experience living in a country of origin with relative poverty, limited opportunities, high competition for employment, and/or high inflation. (For more information, please contact: Abraham Johannes Oberholster, Nova Southeastern University, United States: braam@southern.edu)

Session: 1.2.10 - Panel

Track: Track: 11 - FDI in and from Emerging Markets

Foreign Direct Investment from Smaller Emerging Markets to the Developed World

Presented On: July 1, 2008 - 10:40-11:55

Chair: John Raymond Dilyard, St. Francis College

Globalization and achieving critical mass

Seev Hirsch, Tel Aviv University

The challenges of establishing legitimacy

Helena Barnard, University of Pretoria

Do they have global competence? - The analysis of Korean small and medium-sized international firms

Young-Joo Lee, Korea Institute for Industrial Economics and Trade

Yong Suik Pak, Yonsei University

Colombian Outward FDI in developed countries: Enterprise Strategy or Emigration Venue?

Marcela Anzola, Rosario University

While the outward foreign direct investment (OFDI) activities of multinational enterprises (MNEs) based in emerging markets have been receiving a great deal of recent interest, either in the developed countries or other developing countries, it is not new. Many of the largest emerging market MNEs are capable of competing head to head against more established MNEs from developed countries. Still, OFDI from emerging market MNEs is largely neglected in the literature. Because the problems experienced, and the lessons learned, by these MNEs are valuable for any MNE from an emerging market that is considering OFDI in a developed country, understanding what those problems are and how they are overcome is valuable. By focusing on such issues as critical mass, legitimacy, competence and strategy as they relate to MNEs in Israel, South Africa, South Korea and Colombia, the papers in this panel give greater insight into the particular strategies employed by emerging

market MNEs in their OFDI. Lessons about the ability of emerging market MNEs to compete more effectively globally may also be revealed.

Session: 1.2.11 - Competitive

Track: Track: 9 - Internationalization and Intl. Marketing

Determinants of International Involvement

Presented On: July 1, 2008 - 10:40-11:55

Chair: Anders Pehrsson, Växjö University

Diversification and Performance at Swiss Family Owned Companies: The Role of Risk Awareness

Winfried Ruigrok, University of St. Gallen

Marc Schuerch, University of St. Gallen

This paper builds on the assumption that family owned companies are risk averse, which will be reflected in their strategic postures and can be observed in market figures. Analyzing all Swiss listed companies we find a negative relationship between family ownership ratios and firms' degree of internationalization, and an inverted u-shape relationship between family ownership and firms' price-to-book ratio. We cannot establish significant negative effects of family ownership on business segment diversification. The paper finds support for the notion that companies with high family ownership ratios have a higher risk awareness than companies with different ownership structures. We identify that at high degrees of internationalization companies with high family ownership ratios perform significantly better than other firms. Our results suggest that family controlled companies are well suited to handle situations characterized by high managerial discretion. *(For more information, please contact: Marc Schuerch, University of St. Gallen, Switzerland: marc.schuerch@unisg.ch)*

How Do Organizational Slack and Family Ownership cum Management Affect A Firm's International Involvement?

Yunshi Liu, Tunghai University

Wen-Ting Lin, National Taiwan University

Kuei-Yang Cheng, National Taiwan University

This paper examines the combined effects of organizational slack and family ownership cum management on the internationalization process of firms. Using longitudinal data (2000-2005) on 179 public listed high-technology firms in Taiwan as our sample, results show that firms will opt for higher levels of international involvement when they: (1) have low levels of high-discretionary slack, (2) are not closely held, and (3) are not excessively controlled by a family. In addition, the impact of high-discretionary slack and international involvement is significantly reduced when the percentage controlled by the family increases. Together, these findings highlight that organizational slack and family ownership cum management has an influence on a firm's internationalization strategy. The contributions of this paper to special governance issues in family run businesses and the international business literature, along with the managerial implications of our findings are discussed in the concluding section of the paper. *(For more information, please contact: Wen-Ting Lin, National Taiwan University, Taiwan, R.O.C.: d93724010@ntu.edu.tw)*

Internationalization of Singaporean SMEs: Drivers and Performance Outcomes

Sairah Hussain, National University of Singapore

Nitin Pangarkar, National University of Singapore

How are the international orientation of the top management of a firm and its capabilities related to its degree of internationalization? How does the degree of internationalization influence the performance of a firm? These questions are the focus of our study. We predict that international orientation of managers will positively impact the degree of internationalization, which, in turn, will positively impact performance. In addition, we also predict that strong capabilities would positively influence the degree of internationalization as well as performance. We attempt to answer these questions based on survey responses obtained from managers of Singaporean SMEs. Our analysis provides partial support to our predictions. *(For more information, please contact: Sairah Hussain, National University of Singapore, Singapore: g0600393@nus.edu.sg)*

When is Fast Good?—Speed of Foreign Expansion and Firm Performance

Ruihua Joy Jiang, Oakland University

Jane W. Lu, National University of Singapore

Jing Yu (Gracy) Yang, University of Sydney

When is fast good when it comes to expanding internationally? Under what conditions are advantages or disadvantages of fast expansion more likely to occur? We address these questions by investigating the relationship between the speed of the establishment of foreign subsidiaries and corporate performance. Drawing on international business theories, we develop a contingent argument for the effect of international expansion speed on firm performance, taking into consideration both the external environment and internal capabilities of a firm. Empirical evidence from a sample of 1,263 Japanese firms that were engaged in foreign expansions in the period of 1986-1997 reveals that there are advantages for a firm to adopt a fast pace of international expansion when it operates in high-velocity environment and when it has abundant resources. *(For more information, please contact: Ruihua Joy Jiang, Oakland University, United States: jiang@oakland.edu)*

Session: 1.2.12 - Competitive**Track: Track: 4 - Subsidiary Evolution and Strategy*****Subsidiary Innovation and Knowledge Transfer*****Presented On:** July 1, 2008 - 10:40-11:55**Chair:** Lilach Nachum, Baruch College, CUNY*Social Capital, Manager Turnover and Subsidiary Performance: Managing Double-Edged Social Network in Emerging Economies*

Yunxuan Han, Temple University

Tolulope Bewaji, Temple University

Tanvi Kothari, Temple University

In this study we argue that managerial social network is important for subsidiary's survival and local market performance in emerging markets. However, managerial social network simultaneously promotes manager turnover, which, in turn, negatively impacts subsidiary performance. In order to effectively manage dynamic effects of managerial ties, strong organizational social capital is recommended. Various benefits could be derived from strong organizational social capital, including enhancing members' commitment to the organization and reducing manager turnover, facilitating information exchange and knowledge integration and thus decreasing the turnover's negative effects. This study addresses the complex social capital effects across different analytical units – individual and organizational, and emphasizes the significance of balancing internal

and external social capital. *(For more information, please contact: Yunxuan Han, Temple University, United States: tesshan@temple.edu)*

How Do Foreign Subsidiaries Differ in Terms of Performance Evaluation? – An Empirical Study Based on Bartlett/Ghoshal's Role Typology

Stefan Schmid, ESCP-EAP European School of Management
Katharina Kretschmer, ESCP-EAP European School of Management

In the literature on subsidiary roles, Bartlett and Ghoshal's role typology has reached a very prominent status. In this contribution, Bartlett and Ghoshal's typology is extended by deriving its implications for performance evaluation. The role-specific evaluation of subsidiary performance by headquarters is analyzed in an in-depth case study of one MNC. Formal, personal and cultural performance evaluation of subsidiaries are distinguished, described and linked to the subsidiary roles. The case study reveals that formal performance evaluation is important for all subsidiary roles. For subsidiaries which are highly competent and/or operate in strategically important markets, personal and cultural elements play a central role in the performance evaluation as well. The paper shows that differentiating subsidiary roles is not an end in itself, but has important management implications. *(For more information, please contact: Stefan Schmid, ESCP-EAP European School of Management, Georgia: stefan.schmid@escp-eap.de)*

Developing an Empirical Study of MNE Subsidiaries' Corporate Political Activities: Relationships with Subsidiary Characteristics, Environment and Performance

Shantanu Banerjee, University of Queensland
Sunil Venaik, University of Queensland

The activities of multinational enterprises (MNEs) are central to international business (IB) research and IB literature is replete with conceptual and empirical works on understanding how MNEs influence and react to their commercial environments. However relatively little attention has been given to understanding how MNEs integrate their political activities with their market strategies, through corporate political activity (CPA). Based on the theoretical foundations of (i) the behavioural theory of the firm, (ii) transaction cost theory, and (iii) institutional theory, this paper proposes a model that demonstrates the effect of MNE subsidiary characteristics and the subsidiary's environment on CPA within its host-country. Thus this paper provides a systematic attempt at integration of CPA with MNE strategy and examination of its effectiveness. Contributions include (i) an empirically testable model that (1) captures the relative impact of subsidiary and environmental factors on I-CPA and that (2) measures the effect of CPA on subsidiary performance. *(For more information, please contact: Shantanu Banerjee, uq Business School, University of Queensland, Australia: s.banerjee@business.uq.edu.au)*

What Explains the Performance Differential Between Foreign and Local Firms and Why Does It Matter?

Lilach Nachum, Baruch College, CUNY

I seek to make sense of the variety of performance differentials between foreign and local firms observed in international competition by deepening the understanding of its causes. I develop a theoretical framework in which performance differential is the outcome of the net effect of the costs and advantages that foreign firms have relative to local firms. Costs and advantages are viewed as context-specific by their nature, and their range broader than that recognized by the theory of the MNE. I apply this theoretical framework to the study of financial service affiliates in London, and employ a matched sample of local firms as a benchmark. I correct for sample selection bias that could result from studying surviving affiliates only. The findings show that the costs and advantages that foreign firms have affect the performance differential between them and local firms in complex and nuanced ways, suggesting that the variation of performance differentials is an inherent feature of international competition. I illustrate how identifying the underlying causes of the performance differential enhances the understanding of the implications of foreignness in international competition, and draws the

lessons of this understanding for theory and practice. (For more information, please contact: Lilach Nachum, Baruch College, CUNY, United States: lilach_nachum@baruch.cuny.edu)

Session: 1.2.13 - Panel

Track: Track: 1 - The Context of Global Business

China and India: Comparing Development Trajectories and their Implications for International Business

Presented On: July 1, 2008 - 10:40-11:55

Chair: Tarun Khanna, Harvard Business School

Billions of Entrepreneurs: How China and India are Reshaping Their Futures – and Yours
Tarun Khanna, Harvard Business School

For the first time in recent decades, entrepreneurs in China and India can ignore New York and London—and still build companies worth billions. Asia's social and economic revolutions are capturing the best minds—and money—of Western business.

In *Billions of Entrepreneurs*, Tarun Khanna, uses vivid, on-the-frontline imagery and stories, buttressed by careful research, to show how China and India are each embracing the world on their own, and distinct, terms. Entrepreneurs in each country are powering change and bringing hope to these countries' billions. Khanna embraces a 'big tent view of entrepreneurship' – not just young hot-shots taking companies public, but social and political entrepreneurs redefining the norms of daily activity.

Through intriguing comparisons of triumphs and travails in China and India, the author speaks to the curious observer thus:

- Why China builds cities overnight and Indians can't even build roads
- Why Chinese won't allow elections, while Indians, in free and fair elections, often elect unsavory characters with criminal records to public office
- Why Chinese like their brethren overseas, but Indians apparently do not
- Why Chinese are so unhealthy, but healthier than Indians
- Why there are so few world-class indigenous private companies from mainland China despite the creation of a juggernaut of an economy
- Why China has out-muscled India in the two countries' common backyard
- Why China was Indianized in the past, but India shunned China
- Why Chinese welcome Indians to China, but the Indians do not reciprocate

Further, what China is good at, India is not, and vice versa. Chinese are learning about India, and Indians about China. All, including westerners, can capitalize on these complementary strengths. This is an optimistic and happy book that nonetheless highlights some serious challenges in both countries. Understanding and embracing these changes will help shape our collective futures.

Competition between Foreign and Local Firms in China
Sea-Jin Chang, Korea University

In this presentation, I will focus on the competition between foreign multinationals and local firms in China. Prior studies in strategy and economics did not seriously consider a possibility that local firms may be able to challenge foreign multinationals that enter the market with superior technology and brand. It may be attributable to one of FDI theory's underlying assumptions, namely that foreign entrants' advantage over local

firms is sufficiently large to compensate for their liability of foreignness and to limit competition from local firms. This assumption may no longer be valid, however, as some local firms in developing countries are successfully challenging foreign entrants. For instance, in the Chinese mobile handset sector, foreign multinationals such as Motorola and Nokia had more than 95 percent market share until 1999. By 2003, local firms represented by Bird and TCL had captured over 60 percent market share. In the Chinese fresh milk industry, six domestic firms have shut out multinationals such as Kraft and Danone by securing exclusive access to high quality dairy farms and tightly controlling distribution channels. Anecdotal accounts further suggest that competition is intensifying not only between foreign and local firms but also among foreign entrants and among local firms themselves, a possibility overlooked by prior studies.

The empirical analysis in this study is based on panel data for more than 200,000 firms in China from 1998 to 2005. We explore various channels how Chinese local firms could possibly emerge as possible competitors to foreign multinationals. Local firms in China can benefit from foreign multinationals from the spillover from them. Spillovers can take place when the introduction of new foreign technologies and products inspires domestic entrepreneurs and innovators to develop these goods for their home markets. The spillover of advanced knowledge and technologies across regions are facilitated by the higher mobility of better-educated employees. Furthermore, the government has encouraged greenfield investments and "friendly" mergers and acquisitions as a way to reach economic growth targets. The emerging local firms, such as Lenovo, Huawei, and Baidu, have accumulated enough skills and resources to achieve competitive advantages over their multinational competitors. The empirical analysis provides strong evidence that foreign firms are crowded out from China not only by their own peers but also by local firms.

Globalization of Chinese firms

Peter Williamson, University of Cambridge

Many leading Chinese firms have begun a rapid push to build on their strong domestic and export bases to become significant multinational players with their own network of subsidiaries around the world. This contribution will examine the strategies Chinese firms are adopting in their globalisation quest, how they are using their cost advantage in innovative ways, and what might be their global impact as they challenge established business models. It will explore how these firms are seeking to parlay the country-specific advantages afforded by their Chinese base into firm-specific advantages that underpin global competitiveness. It will comment on how globalisation is opening up new "gateways to entry" through which Chinese firms can overcome their weaknesses and accelerate the process of building global market positions. This contribution builds on the recent work by M. Zeng and P.J. Williamson, *Dragons at Your Door: How Chinese cost innovation is disrupting global competition*, Harvard Business School Press, 2007.

Context Dependence of Strategy in China and India

Kulwant Singh, National University of Singapore

Existing strategy theory and research is under-socialized and pays insufficient attention to the context within which firms and strategy are embedded. The complexity of the Asian context represents a considerable challenge to researchers, but also offers the opportunity for improving both empirical understanding and theoretical development of strategy in general. The plurality of environments that firms in Asia operate in suggests that firm strategies, behavior and performance will necessarily be varied, and that theories must account for such variation.

I will focus on three main points that broadly relate to issues raised by Tarun Khanna's "Billions of Entrepreneurs: How China and India Are Reshaping Their Future and Yours." First, it is beneficial to examine strategy in Asia because we have little extant knowledge, because such examination can correct this deficiency, and because resulting insights have the potential to contribute to the development of strategy. Second, that evaluation of strategy in Asia can identify variables or trends that could potentially differentiate strategy theory

in Asia from what has become received strategy theory. Third, to outline several ideas that can guide the search for “answers” to the core question, how is strategy in Asia different.

Session: 1.2.14 - Competitive

Track: Track: 9 - Internationalization and Intl. Marketing

Impact of Multinationality and Organization Capability on Performance

Presented On: July 1, 2008 - 10:40-11:55

Chair: Bent Petersen, Copenhagen Business School

Good Learners: How Top Management Teams Affect Acquisition Behavior and Performance
Anna Nadolska, RSM Erasmus University

This study examines how top management teams (TMTs) influence the efficacy of organizational learning from acquisition experience. We argue that TMTs with moderate levels of demographic heterogeneity favor learning more than teams at either end of the heterogeneity spectrum. We tested our predictions on acquisition behavior and performance using longitudinal data on more than 1,000 international acquisitions by 25 Dutch companies over four decades (1966-2006). *(For more information, please contact: Anna Nadolska, RSM Erasmus University, Netherlands: anadolska@rsm.nl)*

Interactive Effects of Multinationality and Country Involvement on The Performance of Multinational Enterprises

Gongming Qian, Chinese University of Hong Kong
Lee Li, York University

The purpose of this study is to explore the interactive effect of multinationality (MN) and country involvement (CI) on firm performance. Based on data of 123 multinational enterprises (MNEs), the study finds a positive and significant interactive effect of MN and CI on firm performance using a linear function. Moreover, the study indicates that such interactive effect turns out to be negative and significant using a curvilinear function. Taken together, these findings appear to suggest that there is an optimal combination of MN and CI for MNEs. In other words, when an MNE heavily expands both MN and CI simultaneously, such a strategy can be detrimental to firm performance. To explore whether there is an optimal combination of MN and CI on firm performance, the study finds that a combination for a moderate degree of MN and a moderate level of CI could maximize the performance of MNEs. Implications of this study and directions for future research are discussed. *(For more information, please contact: Gongming Qian, The Chinese University of Hong Kong, China: qian@baf.msmail.cuhk.edu.hk)*

Multinationality and Performance of Turkish Firms
Nejat Capar, Bilkent University

Earlier studies on multinationality have gained considerable attention because of its potential impact on firm performance. The majority of earlier studies that examined the effect of multinationality on performance have found a positive relationship. While discussions have focused on the nature of this overall positive relationship, an important shortcoming to date is that previous studies are entirely based on firms from developed countries, and the U.S. in particular. However, firms from LDCs are considerably different because their competitive advantage is mostly based on low cost rather than differentiation. The current study has examined this relationship from a sample of Turkish firms. Both linear and curvilinear effects of multinationality on the performance of 296 Turkish firms from eight industries were examined. Results show that there is no

significant relationship between multinationality and performance, contrary to earlier studies. Implications and future research directions are discussed. *(For more information, please contact: Nejat Capar, Bilkent University, Turkey: capar@bilkent.edu.tr)*

Cultural Influences on Emotional Capability During Post-Merger Integration of Foreign Acquisitions

Taco H. Reus, Florida Atlantic University

Yongmei Liu, University of Texas at Arlington

This study used insights from research on emotional capability to explain the performance variance of foreign acquisitions made by 118 U.S. multinational companies. Results indicate that the extent to which employee emotions are recognized and regulated during post-merger integration is positively associated with acquisition performance. Further, this emotional capability serves as an important mediator for the impact of culture on foreign acquisitions. On the one hand, cultural differences constrain emotional capability during foreign acquisitions, and indirectly impede acquisition performance. On the other hand, acquisitions in cultures that are characterized by a more humane orientation show more emotional capability, which indirectly enhances acquisition performance. *(For more information, please contact: Taco H. Reus, Florida Atlantic University, United States: treus@fau.edu)*

Session: 1.2.15 - Competitive

Track: Track: 2 - Economics, Finance, Accounting, Taxation

Financial Institutions, Issuing Activity and Transparency

Presented On: July 1, 2008 - 10:40-11:55

Chair: Omrane Guedhami, University of South Carolina

Why Do Cross-listed Firms in the U.S. Voluntarily Release Management Earnings Forecasts?

Yaqi Shi, University of Western Ontario

Michel Magnan, Concordia University

Jeong-Bon Kim, Hong Kong Polytechnic University

Using a sample of non-U.S. firms cross-listed in the U.S. over the period 1996-2005, this paper investigates both country-level and firm-specific factors that influence a cross-listed firm's decision to issue management earnings forecasts. Our results reveal the following: First, the strength of legal institution in a cross-listed firm's home country is an important factor that increases the likelihood of forecast occurrence. Second, cross-listed firms are more likely to release forecast disclosures when they list on major U.S. stock exchanges than they are listed on the OTC/Portal. Third, the likelihood of forecast occurrence increase with the extent to which cross-listed firms are exposed to foreign product markets. Finally, we find that the likelihood of managers issuing earnings forecasts is positively associated with institutional ownership, but negatively associated with ownership concentration surrogated by the cash flow rights held by the largest shareholder. The above results are robust to a variety of sensitivity checks. *(For more information, please contact: Yaqi Shi, University of Western Ontario, Canada: yshi@ivey.ca)*

Cross Listing, Management Earnings Forecasts, and Firm Values

Yaqi Shi, University of Western Ontario

Jeong-Bon Kim, Hong Kong Polytechnic University

Michel Magnan, Concordia University

This paper examines the economic consequences of management earnings forecasts made by cross-listed firms migrating into the U.S. markets. Specifically, we test whether forecasting firms are associated with enhanced firm valuation compared to non-forecasting firms. We also study how firm-level forecasting practices interact with country-level legal institutions to influence the results. First, we find that cross-listed firms in the U.S. that make earnings forecasts are associated with higher valuation premiums (Tobin's Q). Further, we provide evidence that cross-listed firms from weaker legal regimes are valued more for their forecasts relative to firms from stronger legal regimes. We also indicate that cross-listed firms that release more precise and more frequent forecasts enjoy higher valuation premiums. Overall, the results suggest that cross-listed firms' sequential voluntary commitment to more transparent corporate governance is rewarded by the investors. In this light, this paper extends the literature on management earnings forecasts and on cross listing, and provides insight for the SEC regulators, and firm managers. *(For more information, please contact: Yaqi Shi, University of Western Ontario, Canada: yshi@ivey.ca)*

The Choice of ADRs

Narjess Boubakri, HEC Montreal

Jean-Claude Cosset, HEC Montreal

Anis Samet, HEC Montreal

We study the determinants of a firm's decision to issue one of the four available ADR programs (Level I, Level II, Level III, and Rule 144A). We find that the firm's attributes (size, income, asset growth, leverage, privatization, ownership structure, and country-of-origin) and the firm's home-country institutional variables (accounting rating and legal protection of minority shareholders) condition this choice. We also examine the issuing activity and the determinants of the ADR choice before and after the enactment of the Sarbanes-Oxley (SOX) Act. Following this structural change, we provide evidence of a reallocation between ADR programs. Compared to the pre-SOX period, firms from emerging markets, and those from countries with weak legal protection of minority shareholders, are more likely after SOX to choose Rule 144A and Level III, respectively. *(For more information, please contact: Jean-Claude Cosset, HEC Montreal, Canada: jean-claude.cosset@hec.ca)*

Auditor Choice in Privatized Firms: Empirical Evidence on the Role of State and Foreign Owners

Omrane Guedhami, University of South Carolina

Jeffrey Pittman, Hong Kong University of Science and Technology

Walid Saffar, HEC Montreal

We rely on a unique dataset of 176 privatizations from 32 countries to extend recent research on the link between the political economy and accounting transparency to include the role of auditor choice. Serious agency problems stemming from the drastic change in ownership structure in the years surrounding the sale of state-owned enterprises ensures that this is an opportune setting for examining whether shareholder identity explains auditor choice. We analyze whether government owners eager to conceal the diversion of corporate resources for political purposes prefer a non-Big Four auditor to render the financial statements less informative about underlying firm performance. In contrast, we expect that foreign owners will prefer to hire a Big Four auditor to better monitor the newly privatized firms to prevent expropriation by controlling insiders and their political backers. Consistent with these predictions on shareholders' diverging interests in high-quality financial reporting that manifests in auditor choice, we find strong, robust evidence from panel data estimation that privatized firms worldwide become less (more) likely to appoint a Big Four auditor with the presence of state (foreign) owners. Collectively, our cross-country research suggests that auditor choice hinges on whether

owners genuinely value accounting transparency. (For more information, please contact: Omrane Guedhami, University of South Carolina, United States: omrane.guedhami@moore.sc.edu)

Session: 1.3.1 - Panel

Track: Track: 2 - Economics, Finance, Accounting, Taxation

Risk and Uncertainty in a Changing Global Environment

Presented On: July 1, 2008 - 12:05-13:20

Chair: Protiti Dastidar, George Washington University

Embracing Risk as a Core Competence
Donald R. Lessard, MIT

Interfaces and Interactions in the Theory of the MNE
Anju Seth, University of Illinois at Urbana-Champaign and Virginia Tech

Can you Buy Foreign Experience? Comparing the Mechanisms of Reducing Liability of Foreignness in Cross-Border Acquisitions
Protiti Dastidar, George Washington University

Does the Shadow of Political Risk fall on Asset Prices? Oily Evidence
Reid W. Click, George Washington University

Is Corruption a Tax on Innovation?
Meghana Ayyagari, George Washington University

Risk and uncertainty have been studied extensively in finance and operations management, but much less so in International Business. I have organized this panel in an effort to shed new light on the twin concepts of risk and uncertainty. In a highly complex global business environment where managers face a multitude of risks it is increasingly important to understand these concepts from different perspectives: (1) managerial vs. investor based; (2) overall risk management strategy vs. specific risks; and (3) theoretical vs. empirical. A firm's organizational choices can affect exposure to risk and consequently impact firm performance. Similarly, investors can demand higher compensation for risk, which is reflected in higher prices (market value based firm performance). Much of the literature has focused on either political risk or foreign exchange exposure (Miller, 1992). However, managers face uncertainty in global markets arising from multiple sources and firms emphasizing the need for integrated risk management systems to deal with these risks. The theory of the multinational firm must also address the complexity of the risks faced by firms and the resulting impact on its organizational structure. Investors and managers are also becoming more sophisticated in dealing with these risks. This panel consists of five outstanding papers that examine risk and uncertainty using case studies, theories of the multinational enterprise, and emerging and developed market contexts. These papers as a group provide a multi-faceted analysis of the critical issues facing managers and academics and offer several insightful implications.

Session: 1.3.2 - Competitive
Track: Track: 3 - Alliances and Inter-Firm Relationships

Alliances and Business Clusters

Presented On: July 1, 2008 - 12:05-13:20

Chair: Ajai S Gaur, Old Dominion University

A Classification to Analyse Interfirm Business Relationships

Yang Yu, Victoria University of Wellington

Valerie J. Lindsay, Victoria University of Wellington

Elizabeth L. Rose, University of Hawaii at Manoa and Victoria University of Wellington

This study concerns the distinctions between interfirm business relationships in terms of their contents. It argues that, although many researchers examine relationships, such as their quality or strength, they rarely differentiate between economic and social aspects in their analyses. This is important because interfirm relationships are diverse in terms of their social and economic contents, and, more importantly, these two aspects are not necessarily co-related, as assumed in the extant literature.

This study differentiates between the economic dimension and social dimension to analyse business relationships. It suggests a two-dimensional perspective, and further classifies business relationships into four basic types, subject to economic strength and social strength. The rationale for each type of relationship is discussed. In terms of implications of the study, first, it may help researchers to gain further insight into the distinctions between different types of business relationships, as well as firms' relationship strategies. Secondly, the study suggests a new perspective from which to investigate the process of relationship development. Thirdly, the study contributes to efforts to refine some of the constructs that are currently used to examine business relationships. *(For more information, please contact: Yang Yu, Victoria University of Wellington, New Zealand: cruise.yu@vuw.ac.nz)*

Local Suppliers in the Global Sourcing: Problematic Evidence from Network Analysis of A Regional Cluster

Tsutomu Nakano, Aoyama Gakuin University

Douglas R. White, University of California, Irvine & Santa Fe Institute

Can the global sourcing be a collaborative partnership between the multinational conglomerates and their local suppliers, from the point of view of social network analysis? Against the point of view of "transnational management" and its relevance to the collaborative supplier networks, our study of large-scale, interfirm networks linked to a major regional cluster empirically gives support to perspectives that reject the idealistic views, with articulation of a core/periphery structure in the complex system. It suggests that, as part of the global value-chain, local economies and their embedded SMEs are structurally liable to exploitation by the powerful MNEs. *(For more information, please contact: Tsutomu Nakano, Graduate School of International Management, Aoyama Gakuin University-Tokyo, Japan: nakano@gsim.aoyama.ac.jp)*

The Nature of Business Cluster

Chih-Ning Chu, Chung Yuan Christian University

Chi-Ting Su, National Taiwan University

What is a cluster? Agglomeration economist proposed that geographical proximity and learning benefits the outstanding performance of clusters, and management researchers contributed on the construction and coordination mechanism of clusters. In this research, we proposed that both market, whose nature is

transaction costs, and management provide coordination resources to cluster activities, just like the market-like firm in Demsetz (1988). A cluster can be defined by the trade-off between the combination of transaction costs and managerial costs within a cluster and the market transaction costs. This definition provides the sufficient condition for the existence of a cluster and its boundary. The interactions of market and management within clusters provide the following implications: (1) A strategic action for managing a cluster focuses on building its capability to measure the productivity of production factors and to facilitate market competition within a cluster; (2) Managerial action should target on reducing transaction costs within a cluster; (3) The more the internal market works, the less the managerial resources/cost needs. Via two cases, Hsinchu Science Park's IC-design and manufacturing cluster, and Toyota automobile manufacturing cluster, we examine how management creates the internal market and enhance the cluster performance. *(For more information, please contact: Chih-Ning Chu, Chung Yuan Christian University, Taiwan, R.O.C.: cnc@ntu.edu.tw)*

Session: 1.3.3 - Competitive

Track: Track: 9 - Internationalization and Intl. Marketing

Born Globals and Drivers behind International New Ventures

Presented On: July 1, 2008 - 12:05-13:20

Chair: Sarianna M. Lundan, University of Maastricht

Understanding Internationalization Potential: Explaining International New Ventures And Their Stay-Domestic Counterparts

Terence Ping Ching Fan, Singapore Management University

This paper proposes a conceptual framework that explains how the characteristics of a product directly influence its internationalization potential. Domain specificity and culture specificity are suggested to be two dimensions of this framework, which removes the need to treat international new ventures, or 'born-globals', as a distinctly new breed of firms in the international business literature. An important prediction of this framework is that there are products that firms can either internationalize early (following international new ventures or 'born-globals') or sell domestically at inception (following at best staged-internationalizing firms), and that even those who choose to internationalize early would be subject to similar influences as experienced by the more 'traditional', slow- and late-internationalizing firms. The analysis of new ventures in the recently liberalized intra-European airline industry – the first in the literature to compare the performance of international new ventures with their 'stay-domestic' counterparts – demonstrates exactly this. Half of these new ventures started international service right at inception, but those who chose to do so incurred higher failure rates as their domestic counterparts – demonstrating the higher cost of accessing international markets compared with their domestic ones. *(For more information, please contact: Terence Ping Ching Fan, Singapore Management University, Singapore: terencefan@smu.edu.sg)*

Effectiveness Drives International Entrepreneurship: Overcoming the Lack of Awareness in Host Country Markets

Joerg Zimmermann, Max Planck Institute of Economics

Explanations for the driving factors behind entrepreneurs' early foreign market activity have been rare to date. Extending the current state of research, this study applies an efficiency-effectiveness dichotomy that determines the special scope of firm activities, domestic or international. Along with foreign network and the related international experience, the study shows that an entrepreneur's successful foreign market activity is strongly influenced by the resources the firm possesses from the start. The more likely it is that the firm has a competitive advantage based on effectiveness-related resources to reduce the foreign consumers' lack of awareness and related uncertainty; the more likely it is that the venture will be successfully active in foreign

markets. (For more information, please contact: Joerg Zimmermann, Max Planck Institute of Economics, Germany: zimmermann@econ.mpg.de)

Slack Resources and the Performance of International New Ventures: Evidence from U.S. High-Technology Industries

Yi-Long Jaw, National Taiwan University
Sheng-Hsiung Chang, National Taiwan University
Wiboon Kittilaksanawong, National Taiwan University

Slack resources and their impacts on financial performance is a critical issues in the field of strategic management. While this area has remained unexplained in the setting of international new ventures (INVs), this study aims to explore the impacts from different forms of slack resources (i.e. available slack, recoverable slack, and potential slack) on firm performance, as well as the moderation effects of internationalization speed and firm age. Empirical data on 335 INVs from U.S. high-technology industries confirm the differing influences of forms of slack on firm performance. The results suggest an inverse U-shaped relationship between available slack and performance, and a U-shaped relationship between recoverable slack and performance. The two measures of potential slack exhibit different results: the debt-to equity ratio has an inverse U-shape, but the result is not significant. Interest coverage has a positive relationship with performance, both in linear and squared terms. Overall, our findings call for a contingency perspective to specify the nature of slack resources when discussing its impact on INV performance. In sum, this study provides new theoretical insights for slack studies as well as INV studies. This study also discusses implications for further research.

(For more information, please contact: Sheng-Hsiung Chang, National Taiwan University, Taiwan, R.O.C.: d93724011@ntu.edu.tw)

Born Globals or Born Regionals? Evidence from Young Software Firms in Finland and Costa Rica

Luis Lopez, INCAE Business School
Maija Renko, University of Illinois at Chicago
Sumit K. Kundu, Florida International University

This study contributes to the growing literature on Born Global vs. Born Regional firms. It has been suggested that even MNEs have more regional than global influence. Yet literature on international new ventures tends to profile these young firms as global enterprises. We study the prevalence of Born Global firms in an industry (software) where these firms should be commonplace. We focus on Finland and Costa Rica, two small, open economies with limited domestic demand for software products. Despite the selected industry- and country conditions that should contribute positively to the emergence of Born Global firms, we see more evidence for the existence of Born Local and Born Regional companies. However, the drivers of new software ventures' export performance are similar in Finland and in Costa Rica. We find some evidence concerning the importance of both entrepreneur-level and firm-level predictors of export performance. Overall, the results suggest that even if some young ventures internationalize at an early age they still go through various – sometimes fast paced - stages of increasing international commitment. (For more information, please contact: Maija Renko, University of Illinois at Chicago, United States: majja@uic.edu)

Session: 1.3.4 - Competitive

Track: Track: 10 - Outsourcing, Offshoring, Supply Chain

Globalization of the Value Chain

Presented On: July 1, 2008 - 12:05-13:20

Chair: Leo Sleuwaegen, Katholieke Universiteit Leuven and Vlerick Leuven Gent Management School

The Effects of Outward FDI on the Labour Demand for High and Low Skilled Workers

Stefano Elia, Politecnico di Milano

Ilaria Mariotti, Politecnico di Milano

Lucia Piscitello, Politecnico di Milano

The present paper provides further insights on the direct and indirect effects of outward foreign direct investment (FDI) on the home country skill composition and labour demand for high and low skilled employment. The unit of analysis is the "regional industry", which allows to capture both direct effects on the parent company and indirect effects on its local environment. The econometric analysis suggests that outward FDI in the Italian regional-industry in 1996-2002 are responsible of the jobs' off shoring and specifically, FDI undertaken in low wage countries have a negative impact on the labour demand for low skilled workers, while FDI in OECD countries on the labour demand for high and low skilled ones. *(For more information, please contact: Stefano Elia, Politecnico di Milano, Italy: stefano.elia@polimi.it)*

Industry Architectures and Globalization: Institutional Modularity, Value Chain Similarity and Ease of Foreign Expansion

Michael G. Jacobides, London Business School

Alina Kudina, Warwick Business School

Much research to date on the challenge of international expansion has focused on the methods through which firms expand, and the relative difficulty of expanding into one country as compared with another. Far less attention has been paid to the question of why some industries seem far more amenable to globalisation than others, and why some firms fail to 'export' the competitive advantage they enjoy at home while others succeed. This paper looks beyond these 'company' and 'country' perspectives to focus on industry architectures, or the comparative structures of value chains in different countries. Value chains and industries evolve independently through path-dependent processes, meaning that 'who does what', the modularity or integration of the value chain and the nature and importance of supplier and partner relationships can vary widely between countries. Such international differences can cause problems for firms who want to play their current role – or even a narrower one – in a new country. Building on existing theory, we put forward five hypotheses on this theme and test them empirically using a survey of CIS countries. Our results and their interpretation suggest that the degree of 'fit' between industry architectures is an important predictor of success in international expansion, as is the extent of modularity along the value chain. *(For more information, please contact: Alina Kudina, Warwick Business School, United Kingdom: alina.kudina@wbs.ac.uk)*

Determinants of Industry Globalization

B. Elango, Illinois State University

Mona Makhija, The Ohio State University

Although researchers have identified several theoretical determinants of globalization, empirical evidence on these determinants is rare. The purpose of this paper is to examine how 208 U.S. industries at differing levels of globalization vary in their industry attributes. Drawing on prior theoretical arguments relating to global

integration found in the literature, we present several hypotheses on how industries at low to high levels of globalization will differ in terms of their R&D intensity, scale economies, advertising intensity, foreign direct investment, concentration and competition. Our findings indicate that some industry attributes vary systematically across categories of globalization, consistent with theoretical arguments, while others do not. This research furthers our understanding of how industries differ in their levels of globalization, as well as the drivers of industry globalization. *(For more information, please contact: Mona Makhija, The Ohio State University, United States: makhija.2@osu.edu)*

Is there a Trend Towards Global Value Chain Specialization? - An Examination of Cross-border Sales of US Foreign Affiliates

Sjoerd Beugelsdijk, Nijmegen School of Management
Torben Pedersen, Copenhagen Business School
Bent Petersen, Copenhagen Business School

In this paper we discuss and empirically test the assertion that over the last two decades multinational enterprises' (MNEs') configuration of value-adding activities has shifted from a sparse and simple (host-home) international division of labor among the foreign affiliates to a more specialized and 'advanced' global value chain configuration in which MNEs locate fine-sliced parts of the value chain at the most efficient locations. Using data on trade flows of U.S. affiliates in 56 host countries between 1983 and 2003 we find some indications of a trend in the direction of global value chain specialization. In particular among US affiliates in developing countries the proportion of host-host, intra-firm trade has increased significantly during the observed period of time. Conversely, the proportion of host-home and inter-firm trade has diminished. We interpret this as indicating both value chain disaggregation (vertical specialization) and MNEs' systematic exploitation of factor cost differentials across countries. We also find that the absolute levels of all types of trade flows have increased. Hence, it is the relative, and not the absolute, changes in the trade flow patterns of US affiliates that gives credibility to the global value chain assertion. *(For more information, please contact: Bent Petersen, Copenhagen Business School, Denmark: bp.smg@cbs.dk)*

Session: 1.3.5 - Competitive

Track: Track: 7 - FDI, Location, Firm-Location Interaction

Strategic Issues in FDI Location

Presented On: July 1, 2008 - 12:05-13:20

Chair: Nigel Driffield, Aston University

Strategic and Behavioral Drivers of Foreign Affiliates' Location Choice

Cliff Wymbs, Baruch College, CUNY

A foreign firm's locational choices are affected by both strategic, "motivation for investment," and behavioral, "relational/coordination tendencies" and "ingrained home-based culture," factors. I found that foreign firms located in New York City who seek new knowledge rather than exploit existing knowledge, who come from business systems that stress inter-firm cooperation rather than competition and who come from societies that are culturally distant from the United States, located closer to established centers of industry excellence than other firms. *(For more information, please contact: Cliff Wymbs, Baruch College / CUNY, United States: clifford_wymbs@baruch.cuny.edu)*

What Determines the Location Choice of a Multinational Firm's Foreign Group Subsidiary in an Emerging Market? A Focus on Strategic Roles

Xufei Ma, Chinese University of Hong Kong

This study links the three key strategic roles of a subsidiary — corporate ambassador, subsidiaries administrator, and learning center — to the strategic determinants of the location choice for a multinational firm's foreign group subsidiary in an emerging market. I use a sample of Fortune Global 500 corporations in China to examine how the level of industrial restrictions for a foreign direct investment, geographic distance, and location-specific experience influence a multinational firm's choice of situating its foreign group subsidiary between two competing locations — Beijing and Shanghai. This study extends research on the determinants of subsidiary strategy, by highlighting the importance of considering the organizational context in which a subsidiary is rooted to a specific strategic decision. This extension helps us understand how an organization's broad strategic stance can influence the strategies adopted by its individual organizational units, such as its foreign subsidiaries. *(For more information, please contact: Xufei Ma, Chinese University of Hong Kong, Hong Kong: xufei@cuhk.edu.hk)*

To Downsize or Not to Downsize a Subsidiary: What are the Influencers?

Nikhil Celly, Loyola University New Orleans

Although downsizing is a pervasive business phenomenon and primarily in large multinationals, most downsizing studies have been undertaken at the corporate level of analysis. These have been aimed at understanding why a parent firm downsizes and what is the impact of downsizing on its subsequent performance. An important but understudied question is why do multinationals downsize some of their subsidiaries versus others? International business scholars studying international disinvestment have mainly examined the case of subsidiary exits or mode changes, not subsidiary downsizing. This study addresses this gap by examining the antecedents of subsidiary downsizing in a large sample of over 500 subsidiaries of Japanese multinationals in more than 20 countries over the time period 1992-2003. Our results reveal that poor subsidiary performance, parent equity levels, parent degree of multinationality and relatedness between the subsidiary and parent's industry affect subsidiary downsizing, but variables such as cultural distance had no impact. Implications for research and practice are discussed. *(For more information, please contact: Nikhil Celly, Loyola University New Orleans, United States: ncelly@loyola.edu)*

First Mover Advantage or Agglomeration? The Paradox of Foreign Entry and Performance

Jing'an Tang, Sacred Heart University

While entry timing literatures suggest firms to enter a foreign market as pioneers to gain the first mover advantages, studies on entry locations recommend firms to enter a market where there is already a critical mass of their peers, i.e., to be late movers in order to benefit from the agglomeration effects. As two important dimensions of foreign entry strategy, entry timing and location literatures seem to offer opposite recommendations. To resolve this apparent paradox, this study builds a network-based foreign entry and performance model. We argue that these two dimensions of market entry are interdependent. Entry strategies that can achieve fit between these two dimensions will perform better. We found support for our arguments in an empirical analysis of a sample of Japanese MNEs' nearly 10,000 FDI market entries in over 40 countries from 1985 to 2001. *(For more information, please contact: Jing'an Tang, Sacred Heart University, United States: tangj3@sacredheart.edu)*

Session: 1.3.6 - Competitive

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

Cross-Cultural Management at the Workplace

Presented On: July 1, 2008 - 12:05-13:20

Chair: Nancy J. Adler, McGill University

Explicating Social Support at Work: Scale Development with a 12-Country Cross-National Comparison of Measurement Invariance/Equivalence

David L. Ford, Jr., University of Texas at Dallas

Rabi S Bhagat, University of Memphis

Tejinder K Billing, Virginia State University

Karen M Leonard, Indiana University-Purdue University at Fort Wayne

Balaji Krishnan, University of Memphis

The present study investigated the efficacy of a previously-developed scale designed to assess work environment support and its underlying dimensionality across 12 different national contexts. The 12 national contexts varied in terms of their place within the GLOBE study regional clusters of countries. Although three underlying support dimensions were associated with the original scale development, fewer dimensions emerged in the present study that could be considered structurally invariant across the different national contexts. The results are discussed with respect to the scale's applicability in a wide array of work situations where social interaction and one's network of contacts play a prominent role. *(For more information, please contact: David L Ford, Jr., The University of Texas at Dallas, United States: mzad@utdallas.edu)*

The Influence of Societal Culture on Preferences for Employee Empowerment Behaviours in Fifteen Societies

Romie Frederick Littrell, Auckland University of Technology

This article considers empirical and theoretical investigations that foster the understanding of the behavioural phenomena of individuals and groups in business organizations in various societal cultures. This report is based upon on sample data from fifteen countries from an ongoing research project concerning preferred managerial leader behaviour across cultures. This analysis is specifically directed toward investigating preferences for empowerment behaviour and relating the preferences to Hofstede's 5-dimension theory of culture. This study considers a single, important aspect of HRM, "employee empowerment", comparing the acceptance of the idea and practice across several societal cultures, including Chile, China, South Korea, Turkey, Japan, New Zealand, several Sub-Saharan African samples, and Mexico. Discussion of results from small samples from the USA, the UK, Germany, and Romania are included. The results indicate that mean scores for a society on Hofstede's cultural value dimensions have no significant relationships with employee preferences for empowerment behaviour in any society studied. The implications are that a well designed and implemented training programme based upon local cultural values and involving executives, managers, supervisors, and workers appears to be a stronger determinant of success than positioning on cultural value dimensions. *(For more information, please contact: Romie Frederick Littrell, Auckland University of Technology, New Zealand: romielittrell@yahoo.com)*

Work Values, Job Satisfaction and Organizational Commitment in China

Shu-Feng Xiao, Korea University

Fabian Jintae Froese, Korea University

This study investigates the relationships between various facets of work values and job satisfaction, and organizational commitment among white-collar workers employed in foreign invested companies in China. Results of structural equation modeling indicate that work values are related to various facets of job satisfaction, which in turn influence employees' organizational commitment. The effects of various job satisfaction facets seem to vary, with autonomy and job security predicting organizational commitment stronger than appraisal or pay satisfaction. These findings underline the importance of further research in understanding employee commitment in emerging countries. *(For more information, please contact: Fabian Jintae Froese, Korea University Business School, Korea, South: fabian.froese@gmail.com)*

Cross-cultural Differences in Perceptions of Justice: Consequences for Academia

Vas Taras, University of Calgary

Julie Rowney, University of Calgary

Most universities around the world have experienced an increase in international student enrolment. Cultural diversity may be greatly beneficial, but if not managed properly it may lead to problems in the classroom and beyond. The challenges associated with cultural diversity, such as differences in languages, management styles, protocols, and traditions, have been widely discussed in the literature. This article focuses on a less obvious issue -- cross-cultural differences in perceptions of justice and their consequences for academic settings. Depending on their cultural background, students' opinions about the fairness of academic rewards, punishments, and procedures may differ substantially. Our arguments and recommendations are based on generalization of findings from 98 empirical studies that explored relationships between culture and issues of justice. We support our discussion with a series of examples typical for the college environment. The study may be of interest to a wide range of readers, including teachers, educational administrators, students, and business practitioners. *(For more information, please contact: Vas Taras, U. of Calgary, Canada: taras@ucalgary.ca)*

Session: 1.3.7 - Competitive**Track: Track: 8 - HRM, Cross-Cultural, and Qualitative*****Exploring Localization and Country Issues*****Presented On:** July 1, 2008 - 12:05-13:20**Chair:** Robert Desmond Pearce, Reading University*Mediating and Moderating Factors of Empowering Leadership: Evidence from Chinese Organizations*

Xin Wei, Peking University

Hui Wang, Peking University

Chao C. Chen, Rutgers University

Yan Zhang, Peking University

We hypothesized that empowering leadership would positively affect subordinates' organization-based self-esteem and supervisory identification, which in turn would affect subordinates' job satisfaction, task performance, and OCB. We furthermore hypothesized that the positive effect of empowering leadership would be enhanced by decentralized organizational structure but reduced by value orientation of power distance from the perspective of subordinates. Results from 129 supervisors and their 369 immediate subordinates from the People's Republic of China generally supported our hypotheses. Limitation and future directions are also discussed. *(For more information, please contact: Xin Wei, Peking University, China: weixin@gsm.pku.edu.cn)*

The Antecedents of Psychic Distance

Lars Hakanson, Copenhagen Business School

Björn Ambos, Vienna University of Economics and Business Administration

This study investigates the antecedents of psychic distance. Building on original data in 25 of the world's largest economies, we investigate potential drivers of the perceived distance among a given pair of countries. Results confirm that psychic distance is indeed a multifaceted construct which is determined by cultural, geographic and economic factors. Furthermore, our results indicate that geographic distance accounts for the largest share of the explained variance, suggesting that future studies should attribute geographic distance a more prominent role when it comes to international market selection. They also suggest that, used in isolation, cultural distance – as measured by the so called Kogut and Singh index – is a poor predictor of distance perceptions.

(For more information, please contact: Björn Ambos, Vienna University of Economics and Business Administration, Austria: bambos@wu-wien.ac.at)

Outward Foreign Direct Investment by Chinese Multinational Enterprises: A New Frontier for International Human Resource Management

Peter J Dowling, Victoria University of Wellington

Helen L. De Cieri, Monash University

Kate Hutchings, Monash University

Cherrie Zhu, Monash University

Shuming Zhao, Nanjing University

Since the late 1970s the topic of outward foreign direct investment (OFDI) from developing countries has generated a stream of international business research. In more recent years there has been increasing awareness of the significant, emerging phenomenon of Chinese OFDI. Over the last decade, Chinese multinational enterprises (MNEs) have been active in OFDI and China is now one of the world's leading foreign investors. There is an emerging literature that examines the HRM implications of FDI in Chinese enterprises, yet most of this focuses on inward FDI from foreign, largely Western, investors. Recent evidence suggests that growth and developments in Chinese outward FDI create unexplored challenges for Chinese MNEs as well as important implications for our understanding of international human resource management. The focus of this paper is on the HRM and related knowledge management implications that would follow a significant increase in OFDI from Chinese enterprises establishing subsidiaries in other countries. The emergence of Chinese MNEs as globally competitive players presents both challenges and opportunities for Chinese managers, other transnational firms, managers in countries in which the Chinese enterprises are invested and for those researchers who seek to study these firms. (For more information, please contact: Peter J Dowling, Victoria University of Wellington, New Zealand: Peter.Dowling@vuw.ac.nz)

Employee Tenure in China: Comparing Foreign Joint Ventures

Angelika Zimmermann, Loughborough University

Xiaohui Liu, Loughborough University

Trevor W. Buck, Loughborough University

The retention of qualified Chinese employees is an increasing concern for managers in China today. Various studies have highlighted the rise of turnover rates, and many have suggested how human resource practices can help promote retention. There is also some indication that employee tenure may vary with the nationality of firms in China. However, little research has compared employee tenure or the use of human resource practices for retention between firms of different nationality in China. Such enquiries would be vital for gaining a better understanding of the phenomenon, and for establishing best practice. We therefore conducted a comparison of average employee tenure and the use of HR practices between Sino-foreign joint ventures (JVs) with Western (EU/US), overseas Chinese (Hong Kong/Taiwan), and other Asian (Japanese/Korean) partners. Primary data from questionnaire surveys were obtained from a total of 316 JVs in Beijing, Tianjin, and Qingdao. We found a

significant relationship between nationality and tenure. Tenure was the highest in overseas Chinese, moderate in Japanese/Korean, and lowest in Western firms. The results also suggest that the variation in tenure between nationalities was partly mediated by the firms' use of a human resource practices. We discuss these results in terms of cultural differences and the long-term orientation of human resource systems. *(For more information, please contact: Angelika Zimmermann, Loughborough University, United Kingdom: a.zimmermann@lboro.ac.uk)*

Session: 1.3.8 - Competitive

Track: Track: 9 - Internationalization and Intl. Marketing

Internationalization and Cultural Differences

Presented On: July 1, 2008 - 12:05-13:20

Chair: Peter J. Buckley, University of Leeds

Do Multinationals Care about Culture on the Web? Evidence from Multinationals in Turkey

Serkan Yalcin, Saint Louis University

Ali Riza Apil, International Black Sea University

Salavat Sayfullin, International Black Sea University

This study contributes to the newly growing stream of research on the subject of cultural depiction or standardization-localization of cultural values on the web. As this stream of research has been developing recently, there is no consensus yet regarding whether multinationals care about or depict local cultural features in their international web sites. In an attempt to provide empirical evidence from a different cultural setting, Turkey, and through a regional perspective, we examined the international (Turkish) web sites of 115 multinationals from the US, Europe, and Asia-Pacific with respect to 37 cultural values under seven cultural dimensions to find out whether these multinationals care about local cultural features in their international (Turkish) web sites. The results indicated that the multinationals do not completely care about nor do not completely ignore local cultural values as evidenced by the multinationals' tendency to depict cultural values pertaining to both local and their own cultures. Implications of the results for practitioners and the academia are also discussed. *(For more information, please contact: Serkan Yalcin, Saint Louis University, United States: syalcin@slu.edu)*

Country Distance: An Objective Measure and its Impact on International Market Selection

Rian Drogendijk, Uppsala University

Oscar Martin, Public University of Navarre

We develop a construct, country distance, which we define as the objective differences between countries and that can be measured using secondary information sources. Our research advances understanding of country distance and its dimensions, and the impact thereof on market selection decisions. The results of our empirical study on a sample of 170 Spanish SMEs and 99 potential export markets support the hypothesis that larger country distance negatively impacts IMS. The main implication of our findings, however, is that country distance can be measured using a multidimensional and comprehensive set of reliable and valid constructs, all based on objective data. We further provide insights into the differential weights of dimensions of country distance in the context of our sample: more than physical distance, socio-economic factors and cultural and historical linkages determine country distance and its impact on IMS. *(For more information, please contact: Rian Drogendijk, Uppsala University, Sweden: rian.drogendijk@fek.uu.se)*

Web Site Cultural Adaptation as a Driver of Online Trust in Global E-Commerce

Boris Bartikowski, Euromed Marseille Ecole de Management
 Nitish Singh, Saint Louis University
 Dwight Merunka, University Paul Cézanne Aix-Marseille (IAE-CEROG) and Euromed Marseille Ecole de Management

Companies expanding their e-business globally find understanding language and cultural expectations and building online trust as most challenging. Studies have shown that both online trust and cultural adaptation of Web site are crucial for successfully tapping global online markets. However, the role of cultural adaptation (CA) as an online trust driver is a relatively unexplored area in the international business literature. We first present cross-industry content analysis of French Web sites. Results suggest that online consumers recognize depiction of national references as an important factor of online Trust. A follow up study in the computer industry investigates the moderating role of CA in the relation between Trusting Beliefs and Trust Related Online Behavior. Results show that Trust related behavior is induced by improved CA primarily through positive perceptions of a company's Integrity. *(For more information, please contact: Boris Bartikowski, Euromed Marseille Ecole de Management, France: boris.bartikowski@euromed-marseille.com)*

Cultural Similarity, Regional Difference and National Bias: An Assessment in an International Service Context
 Ed Bruning, University of Manitoba

The results of this study confirm that national bias is influenced by the extent of cultural similarity and differences among a country's regions. Canadian consumers prefer Canadian rather than non-Canadian service providers, although providers from Anglo-speaking countries are close substitutes. Service providers from Asian and Spanish-speaking cultures, on the other hand, experience substantial negative biases. Furthermore, the extent of national bias differs significantly across Canadian regions—it is highest in Calgary and lowest in French Quebec. *(For more information, please contact: Ed Bruning, University of Manitoba, Canada: ebrunng@cc.umanitoba.ca)*

Session: 1.3.9 - Competitive
Track: Track: 1 - The Context of Global Business

Institutional Environment for International Entrepreneurship

Presented On: July 1, 2008 - 12:05-13:20

Chair: Ivo Zander, Uppsala University

Institutions, Commercialization, and Development: A Comparative Perspective on the Growth of Microfinance, 1998-2006

Joshua K Ault, University of South Carolina
 Andrew Spicer, University of South Carolina

We apply a comparative institutional perspective to extend the study of Bottom-of-the-Pyramid (BOP) markets. To test the importance of the institutional context in these markets, we analyze the growth of for-profit microfinance lending across 139 countries between 1998 and 2006. We propose that the better the fit between a country's institutional environment and the microfinance lending model, the more likely that the market for this bottom of the pyramid innovation will grow over time. Our empirical analysis finds support for a comparative institutional approach. We find the growth of microlending to be strongest in those countries where institutions support a specific type of informal market exchange. Implications for both public policy and BOP research are discussed. *(For more information, please contact: Andrew Spicer, University of South Carolina, United States: aspicer@moore.sc.edu)*

International Patterns of Ownership Structure Choices of Startups: Does the Quality of Law Matter?

Qianqian Du, University of British Columbia
 Ilan Vertinsky, University of British Columbia

The concentration of ownership of enterprises varies significantly among countries. In this paper we investigate the role that differences in legal systems play in molding founders' ownership preferences with respect to the ownership structure of their startups. We develop an economic framework which articulates the impact that the quality of protection offered to minority shareholders and debt holders has on the supply of debt and equity financing and the incentives of the founders to recruit partners or opt for sole ownership. The theoretical analysis predicts that positive relationships are likely to exist between the quality of the legal system and ownership concentration of startups. This prediction is in contrast to the findings of relationships in large publicly traded firms. Using data obtained from the Adult Population Survey of the Global Entrepreneurship Monitor project from 2001 to 2004 about ownership preference patterns, we confirm the prediction. *(For more information, please contact: Qianqian Du, University of British Columbia, Canada: qianqian.du@sauder.ubc.ca)*

SME's Motives and Characteristics for International Charitable Support

Hans Van Kranenburg, Nijmegen School of Management
 Eva Wissink, Nijmegen School of Management

Most studies on corporate charitable support, especially on international aid and development charities, are primarily undertaken among large organizations. Instead of researching the motives for corporate charitable giving among large organizations, this research explores the motives that underlie corporate international charitable support among small- and medium-sized enterprises (SME's) and their organizational characteristics. Thirty-five Dutch SME's are studied on their characteristics and their motivations for international aid and development support. The results demonstrated an underlying structure of four reliable dimensions: egoistic motivations, organizational impure altruistic motivations, individual impure altruistic motivations and pure altruistic motivations. From these four dimensions, only organizational impure altruistic motivations had a significant effect. The organizational impure altruistic motivations showed a reversed relationship. The study also included three organizational characteristics, size of SME the age of SME and the ownership of SME. Size and ownership revealed a significant relationship with SME's support for international aid and development charities. Larger SME's where the owner decides on corporate charitable support are likely to support international aid and development charities. Moreover these SME's are best to be operating in the trade industry. *(For more information, please contact: Hans Van Kranenburg, Radboud University Nijmegen, Nijmegen School of Management, Netherlands: h.vankranenburg@fm.ru.nl)*

Session: 1.3.10 - Panel

Track: Track: 9 - Internationalization and Intl. Marketing

Targeting the International Audience: Challenges Facing Sports Managers

Presented On: July 1, 2008 - 12:05-13:20

Chairs Harald Dolles, Heilbronn Business School and Sten Soderman, Stockholm University

International Football Player Brands- Context, Definition and Management Challenges

Simon Chadwick, Coventry University

Branding has become ubiquitous throughout the world, in different industrial sectors and across a wide range of product categories. Sport has not been exempt from the phenomenon of branding, with many clubs, teams, leagues, events and competitions having been branded and become successful brands. However, football players have not historically been referred to as brands, although for many years they have been associated with other major brands, principally through personal endorsement deals. This has started to change because

players have recently begun to emerge as brands in their own right, most notably David Beckham, although others such as Cristiano Ronaldo are now beginning to challenge 'Brand Beckham'. The main purpose of the seminar will be to explore the nature of player branding. Using a range of examples, the seminar will provide a unique definition of player branding, identify the reasons why players are becoming brands, and highlight some of the distinctive challenges that are facing the managers of such brands. The seminar will conclude by proposing a framework that can be used to identify how, why and in what ways players become brands. Through a mnemonic - TOPSTAR - it will be explained that (T)eam; (O)ff-field life; (P)hysical characteristics; (S)uccess; (T)ransferability; (A)ge; and (R)eputation all contribute to understanding the nature, characteristics and longevity of football player brands.

Globalizing Sport: Learning from the North American Soccer League Collapse
John Francis, San Diego State University

In 2007, David Beckham signed a \$250 million deal to play soccer in the Major League Soccer (MLS). Paying a high salary to an international superstar to draw attention to an American soccer league is a formula that has been used before. The North American Soccer League (NASL) used this same tactic in 1975 when signing global superstar Pele to a multi-year deal. Many critics suggest that this tactic will bring about the collapse of MLS as it did NASL, almost thirty years ago. MLS argues that this tactic will bring a new audience to soccer in the U.S. and with controlled growth, eventual success for the league. Using American soccer as a focal case for the globalization of sports leagues, I present a study of NASL's rapid growth and collapse. In 10 this study, I compare the similarities and differences to MLS's current growth strategies. Finally, I present broader lessons learned for sports leagues as they seek to globalize their teams and products.

Managing Sport Team's Brand in the Context of the Internationalization of Sport
Andre Richelieu, Universite Laval

Brand is now recognized as the most important asset of sport clubs and organizations (Bauer et al., 2005). This reality is emphasized in the context where sport moves from a very local type of event, similar to the parish fair, to a global activity comparable to Walt Disney or Cirque du Soleil. According to Price Waterhouse Coopers, the sport industry worldwide will be worth US\$ 102.5 billion in 2008.

Through traditional (TV) and new (Internet) medias, world tours, megastores, etc., sport teams have the potential to become commercial enterprises with a global reach. And even though not all teams can become global, the sport team brand becomes a key leverage in this endeavour. Based on the literature on branding and internationalization (i.e. Andersen et al., 1998; Cheng et al., 2005; Kapferer, 1998; Van Gelder, 2002; 2004), our presentation will underline what seems to be the key criteria of success and constraints sport teams face when building a strong brand, first nationally, then internationally. We shall also look at the risks sport teams face when undertaking their international expansion. For this purpose, several teams in different sports and cultural environments will be considered.

Sport New Media and Global Sponsorship
James Santomier, Sacred Heart University

New media (any digital media production that is both interactive and digitally distributed) includes, but is not limited to broadband, HDTV, streaming audio and video, websites, wireless and mobile technologies, and interactive TV (iTV). New media may be defined in terms of the convergence of telecommunications, computing, and traditional media; a conceptual definition that embraces a set of rapidly changing technologies. Convergence refers to the ability of a single platform to process different sources of electronic information (Rines, 2000). New media has changed the way in which sport can be produced, delivered, and consumed and has created a myriad of new possibilities for sport to convey its message and reach new markets. New media

implies more content, more delivery capacity through more systems and devices and more sport 12 organizations delivering content through a variety of platforms. A key factor related to how new media impacts sport consumers is about choice and interaction. "Choices of what to watch, and when to watch, choice of what device to watch on, and the choice of how long to watch for. But it's also the choice to get involved – through increasingly sophisticated interaction with the media supplier, and with fellow fans and consumers" (Thompson, 2006 p. 30).

Concomitant with the rapid development and adoption of new media by the sport industry is the increased expenditure on global sponsorship. It was estimated to be \$30.5 billion in 2005, with an increase of 25% between 2002 and 2005 (SportsBusiness Journal, 2006). Sport sponsorship, which accounts for approximately 80% of global sponsorship activity on a year over year basis, was estimated to be \$24.4 billion in 2005, up from \$19.5 billion in 2002 - an increase of 25% over the last three years. According to the 2004 World Sponsorship Monitor (Sport Marketing Surveys, 2004), telecommunications companies (telecoms) dominated the sponsorship industry in that year. The global survey, which tracked over 1,400 telecom sponsorships, reported an expenditure of \$800 million in sport, arts and broadcasting sponsorship by this sector in 2004.

Sport sponsorship offers telecommunications companies such as Sprint Nextel, Vodafone, Verizon, T-Mobile, 3 Italia, and Orange an opportunity to increase non-traditional revenue, enhance their brands globally, increase market share, implement new technology, target and communicate with specific consumer segments, and develop and sell new products. New media brands (telecoms, technology companies, ISPs) and other global brands such as Adidas, Gillette, and Nike, are not simply sponsoring sport properties but creating specific strategic sponsorship partnerships through agreements that enhance value creation for sponsors and sponsees. The objectives of my presentation will be: 1) to identify and examine a new media paradigm related to sport sponsorship using selected global brands as models; 2) to identify the critical factors in the synergistic relationship between these brands and sport sponsorship; and 3) to discuss the implications of this new media paradigm for the future of sport sponsorship.

The World's Most Watched Sports - The English Premier League
Denise Tsang, University of Reading

The internationalization of English Premier League Clubs has been a recent phenomenon in emerging economies, which is enabled by the increase ownership of television and use of internet. For example, it has been estimated that the potential market of Premier League in large emerging markets such as China is approximately 30 million people. The revenue sources of Premier League Clubs include not only receipts from match days and broadcasting rights (both domestic and increasingly overseas), but also from sales of club merchandises. It is therefore important for football clubs themselves to gain overseas supporters that view matches and purchase merchandises through internet web sites. I therefore propose to discuss the localisation strategies in relation to the promotion of English professional football in China. For example, I will look at the pitfalls of the recently launched pre-paid viewing system in Premier League (which has been the norm in the UK). The main theme is to highlight the importance of adapting to local market system while maintaining the global branding of Premier League.

Understanding the Business of Football - Reversing the RBV Logic?
Mo Yamin, Manchester Business School

The ultimate resource of a football club is its core fan base who are characterised by high degree of loyalty to the club – essentially these fans who are also the 'customers' of the football club do not have the option of 'exit'. Thus whereas 'normal' businesses deploy resources and skills to compete for customers in the market place, the task of managing a football business is to use the fan base (or its core customer) as a leverage to gain additional resources (e.g. sponsorships etc). The core fan base represents a highly dependable revenue stream extending into the indefinite future and thus has a high present value. This explains the flow of (foreign)

investment into many football clubs, particularly the more successful ones. Essentially the new owners are interested to gain control of the highly dependable and virtually risk free revenue stream. Furthermore recent developments in the business environment of football such as the 'globalization' of the market for football players and the greater involvement of global broadcasters has in effect improved the leveraging of the fan-base to enhance the resources available to the football clubs' owners. The increasing commercialisation of football has exposed the absence of an appropriate governance regime. The fan base, whilst being the key resource of the business has no or little say in its governance. In my presentation I will use the case of Manchester United to illustrate the above points.

Session: 1.3.11 - Competitive

Track: Track: 1 - The Context of Global Business

International Business Thought

Presented On: July 1, 2008 - 12:05-13:20

Chair: Jean J. Boddewyn, Baruch College, CUNY

Ricardo Had No Internet: Exploring the Elusive Context of IB Theories

Yair Aharoni, Tel Aviv University

David M Brock, Ben-Gurion

The business world today is quite different from 40 years ago at the time of JIBS' founding. Extant technological, political, and managerial developments bear little resemblance to those in the early 1970s. These changes have resulted in some of the theories that have sustained the International Business (IB) field over its initial generation becoming outdated, limited in scope, and sometimes ambiguous. As a result IB research seems to follow rather than lead trends in the real world. In this paper we explore these changes in the context of the IB field, examine the extent to which common IB theoretical bases are time or technology dependent—and thus likely to be obsolete. We also examine the universality of theory across geographical locations and industries. We conclude with some recommendations to promote the ongoing development of the IB field. *(For more information, please contact: David M Brock, Ben-Gurion, Israel: dmb@bgu.ac.il)*

The Heterogeneity of Intellectual Domain in International Business: An Assessment of JIBS, 1976-2005

Brian R Chabowski, University of Tulsa

G. Tomas M. Hult, Michigan State University

The authors explore and compare research influences in the Journal of International Business Studies (JIBS) over a thirty-year period (1976-2005). First, we identify the most highly cited works for 1976-1985, 1986-1995, and 1996-2005 as well as for the entire thirty years. Second, we use multidimensional scaling to conduct a co-citation analysis to identify, assess, and compare the influential paradigms appearing in JIBS during the last three decades. The results show that the first period (1976-1985) had a very interdisciplinary focus. However, during the second period (1986-1995), JIBS research appears to have established the definitional boundaries of the multinational enterprise (MNE). Findings from the last period (1996-2005) indicate a return to an interdisciplinary focus, but with a specific emphasis on topics related to culture, control, and macroeconomic product diffusion. *(For more information, please contact: Brian R Chabowski, The University of Tulsa, United States: brian-chabowski@utulsa.edu)*

Globalization Critics vs. Free Trade Theory: Ideological Conflicts and the Behaviour of MNEs

Andreas Georg Scherer, University of Zurich
William McKinley, Southern Illinois University at Carbondale

We discuss the ideological conflict between critics of globalization and free trade theorists who deconstruct the metanarrative of universal human rights that underlies the social agenda of the globalization critics. We point out that the arguments of the free trade theorists have affinities with some elements of postmodernist thought. We maintain that this affinity strengthens the appeal of free trade theory to potential disciples outside the circle of professional economics. The ideological conflict has not yet been resolved, but we spell out its effects and discuss various scenarios for resolution of the conflict and how those scenarios would influence corporate goals. *(For more information, please contact: Andreas Georg Scherer, University of Zurich, Switzerland: andreas.scherer@iou.uzh.ch)*

International Business Thought in Perspective
Sandra Seno Alday, University of Sydney

This paper briefly traces the history of the establishment of international business as a unique domain of academic inquiry. Based on the research scope of the field originally articulated in 1970, the paper further proposes an international business research framework that clearly identifies five (5) major research areas in international business, and suggests that these five major pillars define the unique identity of international business and guide research in the field. The proposed framework is then used to map out international business research activity in the past fifty (50) years. A total of 1,611 international business studies from roughly 1960 to 2007 are analysed and classified into one of the five pillars, and the resulting map brings to light the focus of international business research from the post-war period to 2007. Future research directions are then proposed based on the findings. *(For more information, please contact: Sandra Seno Alday, The University of Sydney, Australia: s.seno-alday@econ.usyd.edu.au)*

Session: 1.3.12 - Competitive
Track: Track: 5 - Structure, Capabilities, and Planning

Knowledge, Learning and Capability

Presented On: July 1, 2008 - 12:05-13:20

Chair: Huiping Li, Ramapo College of New Jersey

Embedded Autonomy: Project Teams and Knowledge Work in Multinational Organizations
Martine Haas, University of Pennsylvania

Combining the knowledge-based view of the multinational with organizational design principles and theories of team effectiveness, this paper proposes that teams that deliver higher quality projects in multinational organizations are characterized by "embedded autonomy" – extensive use of knowledge from sources outside the team combined with control over critical task decisions. I examine the embedded autonomy hypotheses using quantitative survey and project performance data from a representative sample of 120 teams at a large multinational organization. The findings shed light on the conditions that enable project teams to make decisions that are both informed and independent, and underscore the value of a team-centered perspective on knowledge-intensive work in multinational organizations. *(For more information, please contact: Martine Haas, Wharton School, U. of Pennsylvania, United States: mrhaas@wharton.upenn.edu)*

Organizational Process Alignment, Organizational Learning Culture, Dynamic Capability and Organizational Performance

Richard Yu Yuan Hung, SK Investment
 Bella Ya-Hui Lien, National Chung Cheng University
 Baiyin Yang, University of Minnesota
 Yueh-Fei Ho, National Chung Cheng University
 Tz-Li Wang, National Chung Cheng University

Although there is much emphasis on the importance of process alignment, organizational learning culture, and dynamic capability, little attention has been paid to their interactions and joint effects on performance. While the concept of dynamic capability has received increasing attention and numerous conceptual frameworks and propositions have been suggested, few empirical studies have been conducted to examine its antecedents and outcomes. Some maintain that it is created via organizational learning. Others contend that dynamic capability is resident in organizational processes.

This empirical study utilizes a survey data from a Taiwan high-tech industry to test an integrative model of dynamic capability. The results of this study demonstrated that although organizational learning culture significantly affected performance, its influence was mediated by dynamic capability. Furthermore, this study provides supporting evidence for the hypothesis that process alignment influences performance directly and indirectly through dynamic capabilities.

(For more information, please contact: Bella Ya-Hui Lien, National Chung Cheng University, Taiwan, R.O.C.: bmayhl@ccu.edu.tw)

Capability Exploitation and Upgrading in IJVs: A Contingency Approach

Wu Zhan, University of Sydney
 Susan So Shan Wong, University of Sydney

Dynamic capability perspective has recently emerged as a critical perspective toward strategic behaviours and performance consequences for firms in international competition. This study investigates (1) how capability exploitation and upgrading are associated with IJVs' financial and competitive outcomes in an emerging market, and (2) how the two organizational variables, inter-partner cooperation and autonomy, moderate the effect of capability exploitation and upgrading on IJV performance. Results suggest that IJVs in a foreign emerging market tend to perform better in both financial and competitive terms when they possess greater abilities to exploit current resources contributed by foreign and local partners as well as to continuously upgrade and develop new capabilities. Moreover, capability exploitation and upgrading interact in such a way that they "reinforce" each other, supporting the notion of "ambidexterity". Lastly, the contribution of capability exploitation and upgrading to IJVs' performance is stronger when cooperation is superior and IJVs enjoy the autonomy. *(For more information, please contact: Susan So Shan Wong, University of Sydney, Australia: s.wong@econ.usyd.edu.au)*

Taxonomies of Cross-border Technology Absorption: East Asian and European MNCs' R&D Management at home and in the United States

Seiko Arai, University of California, Berkeley

The internationalization of research and development (R&D) has become an increasingly important issue for multinational companies (MNCs) in the past few decades with the emergence of new technologies and globalizing markets. However, the analyses of organization and process to enable "integrated network" has been underdeveloped mainly because of the methodological problems in the international R&D research. Employing the patent and sales data of 47 firms, this paper analyzes the absorptive capability (AC) of technological knowledge from the United States by East Asian and European MNCs. In particular, I examine: (1) the relationship between the four capabilities composing AC, (2) the association between the capabilities and various types of organizational structure regarding international R&D activities and (3) the effects of various forces on these organizational structure and capabilities. The results reveal: (1) a balance of autonomy and control is the key to increasing AC in the US and contributing to the US market by utilizing the local

technologies; (2) various types of organizational characteristics regarding the R&D activities in the US associated with each category of the taxonomies; and (3) a number of institutional and firm-specific factors that influence organizational characteristics and capabilities constituting AC of MNCs. (For more information, please contact: Seiko Arai, University of California, Berkeley, United States: seikoa2003@yahoo.com)

Session: 1.3.13 - Panel

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

Where is Cross-cultural Leadership Leading Us? A Roundtable Discussion about how to Tackle Leadership Challenges in an Increasingly Culturally Complex World

Presented On: July 1, 2008 - 12:05-13:20

Chairs: Lena Zander, Stockholm School of Economics and Audra Mockaitis, Victoria University of Wellington

Explaining Cross-national Differences in Leadership Behavior with Cultural Syndromes: A 22-country Study
Audra Mockaitis, Victoria University of Wellington

Servant Leadership Across Cultures: Comparative study in Australia and Indonesia
Andre Pekerti, University of Queensland

Biculturalism and Cross-cultural Leadership
Gundula Lucke, University of South Carolina

Cross-Cultural Leadership, Teams and Faultlines
Christina Butler, Kingston University

This session brings together state-of-the-art cross-cultural leadership studies and aims to set new directions for research in the field. While there has been an increase in the volume of crossnational leadership studies over the past decade, there is still a need for comprehensive models to explain observed cross-national variation and move from mapping and comparing to providing effective solutions to the myriad of leadership challenges. The four papers in this session address current gaps in the cross-cultural leadership field and differ in their approach to leadership and study designs. It is the underlying goal of the session to address the common themes of the studies in answering the question: How may we tackle leadership challenges in an increasingly culturally complex word? We invite all scholars with an interest in international management, international human resource management, organizational behavior and cross-cultural research to join a discussion about the future of cross-cultural leadership, theory-development and unearthing solutions of practical interest to leading in an increasingly complex multicultural environment.

Session: 1.3.14 - Panel**Track: Track: 6 - Learning, Knowledge and Innovation*****Innovation and Globalization: Looking Outward and Looking Inward*****Presented On:** July 1, 2008 - 12:05-13:20**Chair:** Vinod K. Jain, University of Maryland***Innovation and Globalization: Looking Outward – Looking Inward***

Vinod K. Jain, University of Maryland

Satish Nambisan, Rensselaer Polytechnic Institute

Tom Venable, InnoCentive Inc.

Alexander Orlando, InnoCentive Inc.

Competitiveness and innovation are currently on the top of top management agendas, though there is little agreement on how companies and regions and nations should go about becoming more innovative and more competitive.

In response to these new global realities, companies have lately been disaggregating their R&D activities and distributing innovation processes to offshore sites, strategic partners, and global networks. According to the Open Innovation model, they should look *outside* their own organizations for ideas and intellectual property (IP) as well as *inside* to identify unutilized IP which could be licensed to other organizations. Companies such as Ely Lilly and Procter & Gamble developed their own approaches to Open Innovation. Many others are utilizing innovation intermediaries to help them seek solutions to their R&D and business problems – utilizing virtual global communities of scientists, engineers, and other professionals. The panel, an ideal fit with the conference theme, will explore issues related to Open Innovation from both scholarly and practitioner perspectives.

Session: 1.4.1 - Special Session***A Network for Knowledge Creation & Exchange: AIB Fellows Celebrate a Half Century of IB Research and Outline its Future*****Presented On:** July 1, 2008 - 14:20-15:35**Chairs:** Jean J. Boddewyn, Baruch College, CUNY and Nancy J. Adler, McGill University***A Network for Knowledge Creation & Exchange: AIB Fellows Celebrate a Half Century of IB Research and Outline its Future***

Jean J. Boddewyn, Baruch College, CUNY

Nancy J. Adler, McGill University

Yair Aharoni, Tel Aviv University

Farok Contractor, Rutgers University

John Dunning, Rutgers University and Reading University

Stefanie Lenway, University of Illinois at Chicago

Howard Perlmutter, University of Pennsylvania

To celebrate the AIB's 50th Anniversary and the 30th Anniversary of the first election of AIB Fellows in 1978, the AIB Fellows have produced a book, *International-Business Scholarship: AIB Fellows on the First 50 Years and Beyond*, edited by Jean Boddewyn, to capture both the history of international-business knowledge creation

and exchange as well as the 21st-century issues currently facing international-business scholars. This interactive panel will include a series of presentations by AIB Fellows, each of which is designed to catalyze reflection and discussion among AIB members on how best to foster the type of international-business knowledge the world most needs for the next 5, 10, 25 and 50 years. *(For more information, please contact: Jean J. Boddewyn, Baruch College, United States: Jean_Boddewyn@Baruch.cuny.edu)*

Session: 1.4.2 - Competitive

Track: Track: 9 - Internationalization and Intl. Marketing

The Impact of Networks on the Internationalization Process

Presented On: July 1, 2008 - 14:20-15:35

Chair: Ulf Holm, Uppsala University

Networks, Innovation and Internationalization in the Software Industry

Sylvie K. Chetty, Massey University

Loren M. Stangl, Massey University

This paper aims to study the interconnectedness between networks, innovation and internationalization of small and medium-sized enterprises (SMEs) in the software industry. It involves an in-depth study of ten firms in New Zealand. We use a holistic definition of the term innovation which includes product, process, marketing and organization. Most of these firms have developed a product innovation with two exceptions. One of these has a market innovation and the other a process innovation. These firms tend to innovate and internationalize incrementally as well as radically and make their first foreign market entries in countries with a close psychic distance.

The findings show that de-internationalization is an important part of the internationalization process. There is constant feedback between networks, innovation and internationalization as the firm grows. Our contribution to the literature is that we use the findings to develop a virtuous cycle which shows that this is a dynamic process. An implication for managers from this study is that the firm's networks provide a key resource for innovation and internationalization. *(For more information, please contact: Sylvie Kamala Chetty, Massey University, New Zealand: s.chetty@massey.ac.nz)*

Speed vs. Performance: The Differential Influence of Network Embeddedness on the Internationalization of SMEs

Martina Musteen, San Diego State University

John Francis, San Diego State University

Deepak K. Datta, University of Texas at Arlington

Drawing on social capital theory and the literature in international entrepreneurship, we develop hypotheses relating the structural, cognitive and relational aspects of the international network of SME managers to two internationalization outcomes – internationalization speed and performance. Based on a sample of 159 Czech SMEs, we find that firms which communicate frequently with their network ties and share a common language with them internationalize faster. On the other hand, while geographically diverse networks contribute to superior performance, extensive reliance on personal ties hinders the performance of the first international venture. *(For more information, please contact: Martina Musteen, San Diego State University, United States: mmusteen@mail.sdsu.edu)*

The Influences of Interfirm Networks on the Performance in the Initial Internationalisation Stage: A Study on Taiwanese SMEs

Ku-Ho Lin, National Chung Hsing University
 Isabella Chaney, Royal Holloway, University of London
 Tsai-Fang Lee, Chung Hwa Institution for Economic Research

The purpose of this study is to investigate how domestic interfirm network relationships affect the firm's performance. More specifically, this study argues that the domestic interfirm networks can help the firms achieve better performance, including financial and non-financial indicators. In this study, a firms' performance was measured using four dimensions, i.e. financial performance, operational performance, market growth and business relationship satisfaction. This study compared the performance between the firm groups that internationalised with their domestic interfirm networks and those whose with other approaches, in an attempt to reveal the influence of the domestic interfirm networks. The result indicates an overall positive effect that the domestic interfirm networks have on the firms' performance, particularly in the non-financial measures. Prior studies that examine the effect of networks on the firm's performance tend to focus on only financial measures. This study revealed the positive influences of the domestic interfirm networks on the firm's performance in the non-financial aspects. The possible limitations of network relationships on the firm's performance proposed by literature review, such as lock-in effect on the firm's market and entry mode selection and unavailability of local information, are not evident in this study. (For more information, please contact: Ku-Ho Lin, National Chung Hsing University, Taiwan, R.O.C.: link@dragon.nchu.edu.tw)

In Good Company: The Role of Personal and Inter-Firm Networks for New Venture Internationalization in a Transition Economy

Tatiana S. Manolova, Bentley College
 Ivan M Manev, University of Maine
 Bojidar S. Gyoshev, International Business School

Although personal and inter-firm networks have been argued to be critical for the survival and growth of new and small ventures in transition economies, their role in new venture internationalization has been relatively understudied. In this survey-based research, we explore the internationalization of entrepreneurial new ventures ($n = 623$) in the context of Bulgaria: a transition economy mid-stage in the process of its market and institutional reforms. Consistent with expectations, we find that both personal and domestic inter-firm networks have a significant positive effect on internationalization. We next explore the moderating effect of firm age and find that firm age negatively moderates the effect of inter-firm networks, implying that the earlier the new venture engages in inter-firm collaboration, the higher the degree of its internationalization. Consistent with prior research on new and small venture internationalization, we find that internationalization is positively associated with new venture size and varies by industry sector. Implications for managerial practice and public policy are discussed. (For more information, please contact: Tatiana S. Manolova, Bentley College, United States: tmanolova@bentley.edu)

Session: 1.4.3 - Competitive
Track: Track: 9 - Internationalization and Intl. Marketing

Internationalization of SMEs

Presented On: July 1, 2008 - 14:20-15:35

Chair: Svetla Trifonova Marinova, University of Birmingham

Corporate Diversification, TMT Experience and Performance: Evidence From German SMEs

Deeksha A Singh, National University of Singapore
Florian Schmid, Roland Berger Strategy Consultants

We investigate the effect of product diversity and geographic diversity on the performance of SMEs. We propose an inverted U shaped relationship between product (geographic) diversification (PD/GD) and the performance of SMEs. We also propose that PD and GD positively interact with each other to affect the SME performance. Further, we utilized the upper echelons literature to suggest that the effect of corporate diversification on performance is contingent on the TMT experience. Our findings, based on a panel data of 3,692 firm-year observations support our arguments. *(For more information, please contact: Deeksha A Singh, National University of Singapore, Singapore: deeksha@nus.edu.sg)*

Exploring Experiential and External Knowledge in Internationalising SMEs: A Typology of Knowledge Types and Sources

Margaret Fletcher, University of Glasgow
Marian V Jones, University of Glasgow

Whilst there is growing recognition of the importance of organisational learning in the internationalisation of firms, research into knowledge acquisition and learning is an area where there have been few empirical studies. Drawing on the concept of absorptive capacity, a longitudinal, qualitative case study approach is adopted to explore and examine the knowledge acquisition processes of international new ventures and incrementally internationalising SMEs. The theoretical contribution of this paper is that it distinguishes between different types and sources of knowledge. Findings suggest that market, internationalisation and product/technological knowledge are acquired depending on the decisions facing firms. Internationalisation knowledge, much neglected by the literature, was found to be important, new to the firms and acquired by all. Deep insights explain how firms acquire experiential and objective knowledge from external and internal sources. The external acquisition of internationalisation related knowledge is key for firms to increase absorptive capacity towards successful internationalisation.

(For more information, please contact: Margaret Fletcher, University of Glasgow, United Kingdom: margaret.fletcher@blueyonder.co.uk)

Determinants and Effects of Strategic Orientation in the Internationalisation of SMEs

Esther Sanchez-Peinado, University of Valencia
Escriba-Esteve Alejandro, University of Valencia
Sanchez-Peinado Luz, University of Valencia

Identifying which factors affect firms' performance is a critical issue in strategic management research. By treating top management team (TMT) characteristics as predictors of a firm's strategic orientation, we seek to provide a more complete understanding of how the characteristics of managerial teams shape decision-making and SMEs' behaviour, which in turn results in a higher internationalisation level.

Relying on primary data from 181 Small and Medium-sized Enterprises, which had a regular international activity, our findings suggest that firms that operate in a higher number of countries are characterised by proactive strategic orientations and tend to be managed by teams which are less controlled by family members, and are composed by relatively younger people who have more diverse previous experiences and possess higher levels of education (*For more information, please contact: Esther Sanchez-Peinado, University of Valencia, Spain: esther.sanchez@uv.es*)

Factors Affecting the Internationalization of Small and Medium-sized Enterprises: An Empirical Analysis on a Large Sample of Italian Firms

Daniele Cerrato, Università Cattolica del Sacro Cuore
Mariacristina Piva, Università Cattolica del Sacro Cuore

This paper focuses on factors affecting the internationalization of SMEs. Based on both international business and family business literatures, we develop three hypotheses that relate the internationalization of SMEs' to family management, human capital, and presence of foreign shareholders. Relying on data from a large sample of Italian manufacturing SMEs, we find that involvement of the owning family in management negatively influences export propensity but, once the choice to go international has been made, the degree of internationalization of the firm is not significantly different with respect to the composition of the management team. Our results also show that the level of human capital and the presence of foreign shareholders in the SME positively influence both export propensity and export intensity. Size and age of the firm as well as industry characteristics are included in the empirical analysis as control variables. (*For more information, please contact: Daniele Cerrato, Università Cattolica del Sacro Cuore, Italy: daniele.cerrato@unicatt.it*)

Session: 1.4.4 - Competitive

Track: Track: 9 - Internationalization and Intl. Marketing

The Impact of Time and Distance on International New Venture

Presented On: July 1, 2008 - 14:20-15:35

Chair: Rian Drogendijk, Uppsala University

Temporal Evolutionary Trajectories in International New Ventures

Stuart Middleton, University of Queensland
Peter W Liesch, University of Queensland
John Steen, University of Queensland

We address the question: how does time feature in INVs? Applying a qualitative theory of time (Clark, 1990), we present an overview of emergent temporal themes from an investigation of Australian INVs. Understanding how these temporal forms interplay will assist in developing explanations of the growth and development of INVs. We advocate event-driven, longitudinal studies (Van de Ven and Engleman, 2004; Aldrich, 2001) as necessary in accounting for the temporal dynamics required for building theory on the development and evolution of the INV. (*For more information, please contact: Peter Wayne Liesch, University of Queensland, Australia: p.liesch@business.uq.edu.au*)

Internationalization Paths of Emerging Market Firms - Evidence from Vietnam

Ha Thi Van Pham, Copenhagen Business School
 Bent Petersen, Copenhagen Business School
 Henrik Schaumburg-Müller, Copenhagen Business School

In this paper explorative case studies of three Vietnamese exporters are reported. The three cases are discussed in relation to a conceptual framework derived from internationalization process theory and global value chain literature. Outstanding export performance is a common trait of the three firms, though their internationalization paths are very different. One of the firms follows a traditional internationalization path of independent and incremental learning about foreign markets. Another exporter is a contract manufacturer incorporated in a global value chain of the global Swedish furniture retail chain, IKEA. The third exporter follows a "double strategy" in which it combines an independent internationalization path with that of a contract manufacturer. *(For more information, please contact: Ha Thi Van Pham, Copenhagen Business school, Denmark: htvp.ikl@cbs.dk)*

The Effect of Psychic Distance on Repeat Investment Decisions: Australian Firms' Early Investment in the United Kingdom

Susan Maria Freeman, Monash University
 Paul Kalfadellis, Monash University
 Axèle Giroud, University of Manchester

The broad research problem is to understand better the psychic distance effects on repeat investment decisions made by firms. Firms involved in foreign direct investment are considered to be older firms according to the Uppsala Model. However, we remain unclear as to how psychic distance affects firms engaged in repeat investment, especially in the initial stages of their international expansion where familiarity with foreign markets is low because of their lack of experience. Increasingly, smaller firms such as new ventures are engaging in direct investment as an initial step into overseas markets. The connection between psychic distance and age of the firm is such that psychic distance is likely to be greater for younger firms because they have had less opportunity to accumulate knowledge. Six psychic distance values were emphasized as affecting repeat investment in the foreign market (United Kingdom) despite it being ranked very psychically close for initial investment by early internationalising Australian firms. Values included political ties (government incentives), geographic ties (proximity), social ties (culture and language), information ties (availability), stage of economic development and commercial ties (business practices). Surprisingly, INVs and older entrants were less affected by psychic distance than recent entrants for early repeat investment decisions. *(For more information, please contact: Susan Maria Freeman, Monash University, Australia: susan.freeman@buseco.monash.edu.au)*

When Should Minority Entrepreneurial Ventures Internationalize? A Study of U.S. Women and Minority Owned Small Business Performance

Joan Mileski, Texas A & M University at Galveston

Jones and Coviello (2005) note that the time dimension is important in the research of the internationalization process in entrepreneurial ventures. This paper addresses whether the timing of, the amount of and the reason for internationalization impacts performance of U.S. minority entrepreneurial ventures. One hundred twenty-five U.S. minority and women-owned small businesses are surveyed. Results show that these businesses perform best when they begin international operations between 8 and 10 years of founding and when the amount of international operations is less than 25% of total sales and between 50 and 75% of total services. Further, the results find the use of internet technology increases performance for these ventures as well.

Similar to Forbes (2005) and Fan and Phan (2007), we find that waiting to internationalize may be due to the fact that the high performance ventures have youthful/inexperienced entrepreneurs who already work long hours. Further, the size of the U.S. market may discourage seeking access to foreign markets. These

entrepreneurs relied on primarily on U.S. government loans or no particular financing for their ventures confirming that small businesses may have problems with financing in the global arena.

(For more information, please contact: Joan Mileski, Texas A & M University at Galveston, United States: mileskij@tamug.edu)

Session: 1.4.5 - Competitive

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

Top Management Issues

Presented On: July 1, 2008 - 14:20-15:35

Chair: Peter J Dowling, Victoria University of Wellington

The Rise of an International Market for Executive Labour

Winfried Ruigrok, University of St. Gallen

Peder Greve, University of St. Gallen

This paper explores the rise of an international market for top management team members in Europe, identifying patterns and trends, and exploring the antecedents to the emergence of TMT nationality diversity. We analyse a panel dataset of large European non-financial firms based in Denmark, Finland, the Netherlands, Norway, Sweden, Switzerland, and the United Kingdom. This dataset consists of more than 7000 individual observations of executives' nationalities at the year-ends of 2005, 2004, 2002, and 2000. We find that over this period Swiss, Dutch, and Finnish firms stepped up the hiring of foreign top executives, while Danish and Norwegian firms employed a lower percentage of foreign top managers. We identify some key antecedents to top management team internationalisation, most notably firms' executive compensation and foreign ownership levels. (For more information, please contact: Peder Greve, University of St. Gallen, Switzerland: peder-mathias.greve@unisg.ch)

The Moderating Impact of Succession Origin on Strategic Persistence: Are there any Differences between Large Firms and SMEs?

H.Jim Lo, National Taiwan University

This study seeks to extend research issues relating to organizational behaviors and the influences of strategic leadership to solve puzzles between the momentum effect and the leadership effect from CEO succession origin between large and small and medium-sized enterprises (SMEs) firms. This study offers models mainly based on behavioral, evolutionary, agency and inertia theories, and tests hypotheses using panel data from 122 companies over 6 years in the high-technology sectors in the U.S. Results indicate that organizations partially follow their routines regardless of firm size because organizational momentum does not prevail in inventory and research and development (R&D) intensity for large firms and in inventory, nonproduction overhead, and R&D intensity for SMEs. Contrary to conventional wisdom, CEO succession origin can moderate organizational momentum only in nonproduction overhead and financial leverage in large firms but does not matter to organizational momentum in SMEs. The findings provide boards of directors with evidence regarding organizational momentum and successors' origin from a multidimensional perspective in various firm structures. (For more information, please contact: H.Jim Lo, National Taiwan University, Taiwan, R.O.C.: huaijuan@gmail.com)

Top Management of Foreign MNC Affiliates and Affiliate Performance in Japan

Tomoki Sekiguchi, Osaka University

Ralf Bebenroth, Kobe University

Donghao Li, Wakayama University

Drawing from the knowledge-based view of MNCs and the upper echelon perspective, we examine the relationship between top management characteristics of MNC affiliates and affiliate performance. Using a sample of 643 foreign MNC affiliates operating in Japan, we found that when the length of an affiliate operation was shorter, the affiliate performed better under the expatriate managing director rather than the Japanese manager. We also found that when the size of an affiliate was larger and the length of operation was shorter, the affiliate performed better under the larger rather than smaller proportion of expatriates in top management teams. Implications for research and practice of top management staffing of MNC foreign affiliates are discussed. (For more information, please contact: Tomoki Sekiguchi, Osaka University, Japan: tomoki@econ.osaka-u.ac.jp)

The Impact of Organizational Facets on the Career Advancement of Women Managers: An Arabic Middle Eastern Investigation

Hayfaa Tlaiss, Manchester Business School

Saleema Kauser, Manchester Business School

This study analyses the status of women managers within an Arabic Middle Eastern context, namely Lebanon. Results obtained from a sample of 411 women managers suggested that organizational practices, organizational climate and organizational interpersonal relationships are more likely to act as barriers hindering the managerial career advancement of women. In contrast, the absence of a mentor and the minimal or token presence of women in management were not perceived as obstacles for further progress. Particularly interesting were findings that emphasize salient role of wasta within the Lebanese society, as an inevitable dimension of career progress. (For more information, please contact: Hayfaa Tlaiss, Manchester Business School, United Kingdom: Hayfaa.Tlaiss@postgrad.manchester.ac.uk)

Session: 1.4.6 - Competitive**Track: Track: 6 - Learning, Knowledge and Innovation*****Mechanisms and Factors Enhancing Knowledge Transfer*****Presented On:** July 1, 2008 - 14:20-15:35**Chair:** Larissa Rabbiosi, Copenhagen Business School*The Interplay of Individual and Collective Knowledge in Multinational Corporations – An Integrative Framework from a Constructivist Perspective*

Michael Behnam, Suffolk University

Dirk Ulrich Gilbert, University of Erlangen-Nuremberg

Andreas Rasche, Helmut-Schmidt-University / United Nations Global Compact

One of the most critical issues multinational corporations (MNCs) have to cope with is to effectively manage knowledge within their intra-organizational network to sustain competitive advantage. So far, there is only little systematic understanding of the complex interplay between the intra- and inter-individual as well as the intra-organizational procedures underlying the creation and transfer of knowledge. Intending to address this phenomenon, the research contributions of this paper are threefold: First, as a starting point of the analysis, we aim to examine the primary role of worldwide learning and knowledge within Bartlett and Ghoshal's concept of the transnational corporation. Second, we utilize constructivist cognition theory to look at current research on

networks in order to gain an in-depth understanding of the procedures underlying knowledge creation and transfer. Consequently, this paper distinguishes between the individual, subsidiary, and network level to analyze the most important processes related to knowledge creation and transfer in MNCs. We connect all three levels of analysis into an integrative theo-retical framework. Third, this paper elaborates to what extent Bartlett and Ghoshal's integrated network serves as adequate organizational context to initiate and to support the process of knowledge creation and transfer between company units from a constructivist perspective. *(For more information, please contact: Michael Behnam, Suffolk University, United States: mbehnam@suffolk.edu)*

Knowledge Management and Collaborative Commerce: Lessons From China Steel
Cheng-Guey Lin, National Cheng Kung University

In the century of the "knowledge economy", companies are diverting their focus from the traditional assets of labor and land to knowledge and intellect. Hence, knowledge management has become one of the key topics of corporate competitive advantage. Along with the development of information technology and the internet, the concept that the company takes care of all matters is not adaptable to environmental change. Resorting to the business model of collaborative commerce, information sharing with upstream and downstream partners and pursuing the maximized value of the entire supply chain becomes the company's target.

The China Steel Corporation (CSC) of Taiwan has attained operational excellence through corporate e-business, and the successful adoption of knowledge management. Facing the global competitive pattern, CSC collaborates with manufacturers in the upstream and downstream supply chain and finds its solution by means of the business model of collaborative commerce. In such manner, CSC and its partners jointly establish a competitive advantage in the global context for a win-win situation.

Based on corporate e-business, this study discusses CSC's progress in knowledge management and its business model of collaborative commerce and validating the feasibility of its collaboration mechanism. *(For more information, please contact: Lin, Cheng-Guey, Department of Business Administration, National Cheng Kung University, Taiwan, R.O.C.: cglin998@ms76.hinet.net)*

Effects of Absorptive Capacity and Procedural Justice on ICT Knowledge Transfer within the MNE
Vernon Bachor, University of Calgary
Alain Verbeke, University of Calgary

This paper tests empirically the effectiveness of information and communications technology (ICT) knowledge transfer and adoption in the multinational enterprise. The research supports the proposition that perceptions of procedural fairness determine such effectiveness, especially in cases of high tacit knowledge transfers, and also observes that absorptive capacity has no significant effect. We collected data from senior ICT representatives from eighty-six Canadian subsidiaries of foreign owned firms that have recently experienced significant ICT transfers from abroad, mandated by the parent organization. The perceived success of the ICT knowledge transfer as well as the ICT adoption varied widely across these firms. Our findings suggest that in a situation of substantial knowledge tacitness, high levels of procedural fairness are critical to effective knowledge transfer and ICT adoption *(For more information, please contact: Vernon Bachor, University of Calgary, Canada: Vernon.Bachor@haskayne.ucalgary.ca)*

The Momentum Impact on Strategic Persistence: The Moderating Effect of CEO Leadership Origin
Chengli Tien, National Taiwan University
Carlos H. Chiu, Carlos-Marc Empire Capital Group

This study seeks to extend research on issues relating to organizational behaviors and the influences of executive leadership to clarify the relationship between the momentum effect and the leadership effect of CEO origin as a moderator. This study offers models predominantly based on behavioral, evolutionary and agency theories, and tests hypotheses using panel data from 122 companies over six years in the high-technology

sectors in the U.S. Results indicate that organizations do not always follow their routines, as organizational momentum does not persist in some dimensions of strategic persistence (e.g., inventory, and R&D intensity), and contrary to conventional wisdom, executive origin only significantly moderates momentum on strategic persistence in financial leverage. The findings provide boards of directors with evidence as to how firms respond to their prior behaviors and how much successors' origin matters from a multi-dimensional perspective when strategizing a succession event. *(For more information, please contact: Chengli Tien, National Taiwan University, Taiwan, R.O.C.: cltien888@gmail.com)*

Session: 1.4.7 - Competitive

Track: Track: 9 - Internationalization and Intl. Marketing

Entry Modes and the Internationalization Process

Presented On: July 1, 2008 - 14:20-15:35

Chair: Hans Jansson, University of Kalmar

The Effects of Corporate Governance and Institutional Environments on Export Behaviour: Evidence from Chinese Listed Firms

Jiangyong Lu, Tsinghua University
Bin Xu, China Europe International Business School
Xiaohui Liu, Loughborough University

The impact of corporate governance on export decisions is an important yet under- explored research issue. This paper examines this issue with respect to Chinese listed firms. We adopt an analytical framework in which the effects of corporate governance on export decisions are associated with institutional environment. We test several hypotheses derived from this framework. The sample firm's export propensity and export intensity are found to be positively impacted by CEO ownership share and independent director ratio, and negatively impacted by private/family control. The export-promoting effects of CEO ownership share and independent director ratio are found to be positively moderated by a well-established institutional environment. *(For more information, please contact: Jiangyong Lu, Tsinghua University, China: lujiy3@sem.tsinghua.edu.cn)*

The Globalization of Higher Education: FDI of Knowledge Intensive Service Firms

Michael R. Czinkota, Georgetown University
David A. Grossman, Florida Southern College
Raj G. Javalgi, Cleveland State University
Nicholas Nugent, Southern New Hampshire University

This research focuses on developing, measuring,, and empirically testing a framework of key factors influencing international market entry mode choice of U.S. business schools. We use primary data from faculty and administrators of U.S. Master of Business Administration (MBA) schools. The work identifies and applies key constructs of mode choice from Dunning's eclectic theory of international production and the entry mode literature to business schools. We find that market potential, product differentiation and contractual risk are key dimensions in the internationalization of MBA programs. *(For more information, please contact: Michael Czinkota, Georgetown University, United States: czinkotm@georgetown.edu)*

Marketing Channel Evolution: An Integrated Analysis of Transaction Cost and Institutional Pressure

Chi-Hsing Tseng, National Pingtung Institute of Commerce

Hsin-Chih Kuo, I-Shou University

The article presents a qualitative model, derived from the transaction cost and institutional theory, to explore the marketing channel evolution of Taiwanese Notebook PC firms in Mainland China. Adopting case study method, this research concludes several propositions based on theory and case descriptions. After surveying Acer and Asus, this research finds that Taiwanese firms' marketing channels tend to be isomorphism alliance as the local institutional environmental pressure is strong. As the institutional environmental pressure becomes weaker and the transaction cost is relatively high, the Taiwanese firms' marketing channels tend to be internalization. As the institutional environmental pressure becomes weaker but the transaction cost is relatively low, the Taiwanese firms' marketing channels tend to be efficiency alliance. *(For more information, please contact: Chi-Hsing Tseng, National Pingtung Institute of Commerce, Taiwan, R.O.C.: tseng@npic.edu.tw)*

Foreign Entry Through Acquisition of Corporate Assets: An Alternative Entry Mode to Greenfield and M&A

Robert J. Weiner, George Washington University

Yujin Jeong, George Washington University

The IB literature on foreign entry and expansion modes describes greenfield and mergers & acquisitions (M&A) as the two choices for FDI through wholly-owned subsidiaries. A more realistic view would see greenfield and M&A as two extremes of a spectrum of entry-mode choices, with intermediate approaches including purchasing operating assets from local firms, leasing such assets, combinations of M&A for some functions and greenfield for others, etc.

This paper provides the first evidence on one of these approaches, purchase of foreign assets. Asset transactions are extensive in the global economy, but have been studied by researchers only in the domestic US context. We focus on the consequences for valuation of cross-border asset trade using event-study methodology to contrast value creation and destruction between cross-border and domestic asset purchases, as well as with the more widely-examined case of cross-border M&A.

We use a unique database that provides detailed information on domestic and cross-border acquisitions of both corporate assets and M&A in the petroleum industry, the largest single industry worldwide. Using this database, we are able to shed insight into the effectiveness of purchasing local assets as an entry mode that creates value, suggesting that this is an effective strategy for managing liability of foreignness. *(For more information, please contact: Yujin Jeong, George Washington University, United States: yujin@gwu.edu)*

Session: 1.4.8 - Competitive**Track: Track: 7 - FDI, Location, Firm-Location Interaction*****Internationalization and Performance*****Presented On:** July 1, 2008 - 14:20-15:35**Chair:** Chwo-Ming Joseph Yu, National Chengchi University*International Diversification Strategy and Firm Performance: A Multi-level Analysis of Firm and Home Country Effects*

Bo Bernhard Nielsen, Copenhagen Business School

Sabina Nielsen, Copenhagen Business School

This study examines the relationship between international diversification strategies and firm performance and suggests that these relationships are moderated by firm and home country environmental effects. Using HLM analysis on a sample of the world's 2000 largest MNCs from 49 countries, over a period of 17 years, we found

support for the study's main propositions that firm level product diversification as well as the labor market efficiency and market size of the home country play important roles for the performance effects of international scale and scope strategies. *(For more information, please contact: Bo Bernhard Nielsen, Copenhagen Business School, Denmark: bn.smg@cbs.dk)*

Misalignment of Entry Mode: How Costly Is It?

Lihong Qian, University of Illinois at Urbana-Champaign

With an attempt to contribute to the currently limited studies on the relationship between entry mode and performance implications, this paper develops a contingency model for predictions of performance implications of two entry mode choices: joint venture and wholly owned subsidiaries. The model builds upon the extensive studies on the antecedents of entry mode choice in the international business field, and recognizes recent development in addressing the negligence of or difficulty in dealing with endogeneity problem when to investigate the performance implications of different entry modes. Once the endogeneity problem has been addressed to a large extent through an entry mode fitting process, our model further compares the contingent differences of joint ventures and wholly owned subsidiaries on firm performance.

This model is able to compare performance implications of different entry modes at different levels and along different dimensions. In particular, we predict the performance outcomes for both the parent firm level of an MNC and the subsidiary level. We also propose the performance outcomes for aligned and misaligned entry modes, as well as misaligned JV and misaligned WOS. *(For more information, please contact: Lihong Qian, University of Illinois at Urbana-Champaign, United States: lqian3@uiuc.edu)*

Internationalization, Resource Allocation and Firm Performance

Homin Chen, National Taiwan University
Chia-Wen Hsu, Yuan Ze University

In this paper, we examine the effects of internationalization, value creation, value appropriation, and value appropriation weighted-strategic emphasis on firm performance. We find that the optimal level of internationalization for Taiwanese electronics and information technology firms lies between eight and eleven countries, while the current average stands at a mere three. The results of our study also indicate that these firms are on average investing as little as one twelfth of the amount of resources into value appropriation that are necessary to start creating a positive impact on firm performance. *(For more information, please contact: Homin Chen, National Taiwan University, Taiwan, R.O.C.: hmchen@management.ntu.edu.tw)*

How Does Export Commitment and Product Diversification Affect the International Scope-Firm Performance Dynamics?

Asli M. Colpan, Kyoto University
Takashi Hikino, Kyoto University
Andrew Delios, National University of Singapore

This paper examines the internationalization-cum-performance dynamics through econometric analyses of a panel data on Japanese electronics enterprises in the controlled macroeconomic environment since the early 1990s. The results of our tests signify the three-way interactions among international operational scope, export commitment and product diversity, suggesting that the performance impact of international investment depends upon both the extent of a firm's export commitment and product diversification. The analysis of the joint effects of three predictors provide a comprehensive and more accurate picture of the complicated interactive effects of diversification strategies on financial performance. *(For more information, please contact: Asli M. Colpan, Kyoto University, Japan: colpanasli@hotmail.com)*

Session: 1.4.9 - Competitive

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

New Directions in IHRM Research

Presented On: July 1, 2008 - 14:20-15:35

Chair: Zeynep Aycan, Koc University

Elucidating the Positive Side of The Work-Family Interface on International Assignments: A Model of Expatriate Work and Family Performance

Mina Westman, Tel Aviv University

Mila B. Lazarova, Simon Fraser University

Margaret A. Shaffer, University of Wisconsin, Milwaukee

We offer a process model of expatriate performance that examines the work-family interface among expatriates and their partners. We advance the model from a positive psychological perspective based on Job Demands-Resources and contagion theories. We (1) conceptualize cognitive, affective and conative influences on expatriate work-role and family-role behaviors; (2) expand the concept of adjustment to capture family-role adjustment; and (3) consider spillover and crossover effects in predicting expatriate work and family performance. *(For more information, please contact: Mila B. Lazarova, Simon Fraser University, Canada: mbl@sfu.ca)*

SHRM and Corporate Entrepreneurship: The Moderating Effects of Organizational Culture and Structure

Li-Qun Wei, Hong Kong Baptist University

Jun Liu, Renmin University

Prior studies have found positive effect of strategic human resource management (SHRM) on firm performance. However little research has examined the impact of SHRM practices on the firm's performance related to corporate entrepreneurship, as well as the influencing factors in between. Following the contextual perspective of SHRM, this study examined an interactive model in which firm culture and structure were proposed to moderate the SHRM-corporate entrepreneurship relationship. Specifically, we investigated the moderating effects of developmental culture and flatness of structure on the relationship of entrepreneurial HRM practices on the new product development of the firm. Empirical results from a sample of 223 Chinese enterprises indicated that entrepreneurial HRM practices had positive impact on the firm's new product development. This relationship is stronger for firms with developmental culture. Moreover, the interaction between entrepreneurial HRM practices and developmental culture is stronger in firms with flat structure than those with hierarchical structure. Implications of the results are discussed. *(For more information, please contact: Li-Qun Wei, Hong Kong Baptist University, Hong Kong: weiliquan@hkbu.edu.hk)*

Family Involvement and Firm Performance Relationship: The Moderation Effect of Strategic HR System

Chiung-Wen Tsao, Tajen University

Shyh-Jer Chen, National Sun Yat-Sen University

Chiou-Shiu Lin, National Sun Yat-Sen University

Pei-Chi Huang, National Sun Yat-Sen University

The moderation effect of strategic HR system on the relations between family involvement and firm performance was examined. Strategic HR system, reflecting the extent to which organization adopts and implements strategic approach in HR related practices, was proposed to lead family-involved business to perform better. This hypothesis was tested in a survey of 93 public listed companies in Taiwan. Results

indicated the expected two-way interaction between HPWS and family involvement in predicting firm performance (ROA and ROE) is stronger for high family involvement with high HPWS than family involvement with low HPWS. The way in which these findings extend the family business literature, as well as more applied implications are discussed. *(For more information, please contact: Chiung-Wen Tsao, Tajen University/ Department of Marketing and Distribution Management, Taiwan, R.O.C.: cwtsao@tajen.edu.tw)*

'To Harvard or to Honiara?' - Why an International Volunteer Placement Might Be a Good Alternative to an MBA
Anthony Fee, University of Sydney
Sidney J. Gray, University of Sydney

While formal management education remains a worthwhile and popular learning platform for aspiring managers, business school education continues to be criticized for its inability to develop the higher order skills so critical to the role of managers, particularly those operating in a global context, and for failing to fully prepare its students for the complexity and stresses of real world management. In recent years a growing body of research has shown that international volunteer placements provide opportunities for volunteers to develop a range of higher order skills which transfer well to the contemporary workplace and correlate strongly with the skills required by future managers. What is less well understood is what features of an international volunteer placement contribute towards this skill development. This paper outlines a framework which identifies unique characteristics of international volunteer placements that might contribute to them being fertile environments for building important managerial skills. In doing so, it draws on extant literature as well as data from a longitudinal study of the learning experiences of a sample of international volunteers. *(For more information, please contact: Anthony Fee, University of Sydney, Australia: A.Fee@econ.usyd.edu.au)*

Session: 1.4.10 - Panel

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

Biculturals: A Key to Effective Global Innovations

Presented On: July 1, 2008 - 14:20-15:35

Chairs: Mary Yoko Brannen, San Jose State University / INSEAD and Yves Doz, INSEAD

Using H.E.L.P. to Define and Examine Biculturalism
Julia Gluesing, Wayne State University

The Impact of Biculturalism on Cross-Cultural Cognitive and Behavioral Skill Sets
Dominie Garcia, San Jose State University

Are Biculturals Inherently More Culturally Intelligent?
David C. Thomas, Simon Fraser University

Cultural Frame Switching and the Effect of Bicultural Identity Integration (BII) in Performance Appraisal
Aurelia Mok, Columbia University

A Culture-Cognitive View of Biculturalism
Gundula Lucke, University of South Carolina

Biculturalism in France
Hae-Jung Hong, ESSEC Business School

The growing proportion of biculturals and people of mixed cultural identities in the global workforce provides companies operating globally with an unacknowledged opportunity to learn from disparate cultural contexts and integrate knowledge from around the world. Whereas we have known for some time that a critical issue faced by Multinational Corporations (MNCs) involves developing abilities to function in, and benefit from, multiple cultural environments to coordinate culturally diverse subunits, and learn from multiple contexts, we have not realized that there is a growing new workforce demographic with latent skills in this area. Biculturals are an under-recognized and often unexploited key to make learning and knowledge transfer across contexts less arduous—and hence to facilitate global innovation. The panel discussion in this symposium will go far in defining biculturalism (both in terms of the nature and different categories of biculturals as distinct from monoculturals and multiculturalists), identifying the skillsets biculturals have to offer in regards to knowledge-sharing and innovation, and discussing ways in which they can be nurtured and employed as strategic human resources in MNCs.

Session: 1.4.11 - Competitive

Track: Track: 3 - Alliances and Inter-Firm Relationships

Alliances and Learning

Presented On: July 1, 2008 - 14:20-15:35

Chair: Jose Mata, Nova University Lisbon

The Instability of Joint Ventures: Learning from Others or Learning to Work with Others

Jose Mata, Nova University Lisbon

Portugal Pedro, Banco de Portugal and Nova University

We analyze the patterns of international joint venture termination, to compare the learning and trust views of joint ventures. We distinguish between three ways in which termination may occur and allow for the possibility that some joint ventures never confront the chances of terminating in these ways. We find that the chances of terminating a joint venture increase over time, in particular when the joint venture is terminated by dissolution of the firm and by acquisition by the foreign partner. Our findings thus support the view that learning outperforms trust in explaining the time patterns of joint venture survival (*For more information, please contact: Jose Mata, Nova University Lisbon, Portugal: jmata@fe.unl.pt*)

A Dyadic Perspective on the Value of Relationship Learning: A Cross National Investigation

Mee-Shew Cheung, Xavier University

Matthew B. Myers, University of Tennessee

In global business-to-business markets, shared resources between buyers and suppliers often result in competitive advantages and enhanced relationships between firms. Unfortunately, there is a paucity of research within the literature regarding learning capabilities between business partners. In this study, the authors examine the impact of relational learning on relationship value for both buyers and suppliers in the context of cross-national buyer-supplier relationships. Through the development of a conceptual framework that examines how global environmental and inter-organizational conditions influence learning capabilities, the study investigates how relational learning influences relationship value for both supplying and buying firms. Using a survey of 132 cross-border dyads in the industrial chemical, packaging, consumer durable, and apparel industries, the authors show how relational learning is valued by both buyers and suppliers, and how it is critical when viewing the "supplier as a customer." Simultaneously, the findings provide compelling evidence that cultural distance is not a significant influence on the firm's propensity to share knowledge with its global partners. The results indicate the strategic nature of relational learning in maintaining cross-border business-to-

business relationships. (For more information, please contact: Mee-Shew Cheung, Xavier University, United States: cheungm@xavier.edu)

Learning from Joint Ventures: The Role of Experience Asymmetry

Ilya R.P. Cuypers, Tilburg University and Singapore Management University
Xavier Martin, Tilburg University

Extending research on the link between prior JV experience and the amount and distribution of value generated by a JV, we examine the effects of the level of asymmetry between JV partners' prior JV experience. Using a sample of 576 JVs, we show that both the partners' total JV experience and the degree of asymmetry in their levels of prior experience determine how much value is created upon JV announcement. Furthermore, the value distribution between the JV parties depends on the level of asymmetry in their respective JV experience. We discuss implications for practice and research on JVs and organizational learning. (For more information, please contact: Ilya R.P. Cuypers, Tilburg University, Netherlands: i.r.p.cuypers@uvt.nl)

Session: 1.4.12 - Competitive

Track: Track: 6 - Learning, Knowledge and Innovation

Learning, Innovation, and MNE's International Performances

Presented On: July 1, 2008 - 14:20-15:35

Chair: Elena Golovko, Tilburg University

Exploring the Complementarity between Innovation and Export for SMEs' Growth

Elena Golovko, Tilburg University
Giovanni Valentini, Università Bocconi

This paper examines if innovation and export are complementary strategies for SMEs' growth. We argue that innovation and export may positively reinforce each other in a dynamic virtuous cycle. We identify and describe the process through which this complementary relationship may take place, and argue that learning from export markets is at the heart of this process. Furthermore, we also explore the contextual variables that may explain and promote this exportinnovation

interaction. We identify firms' complementary assets as an important variable that influences the complementarity between export and innovation. Using a balanced sample of 346 Spanish SMEs during 1990-1999, we find empirical support for our hypotheses. (For more information, please contact: Elena Golovko, Tilburg University, Netherlands: E.golovko@uvt.nl)

Comparing Japanese and American Product Development Integration Methodologies and Performance

William Ha Johnson, Bentley College

Do NPD integration mechanisms differ across national subsets and, if so, does this make a difference to overall NPD performance? To answer these questions we studied the New Product Development (NPD) programs of 141 firms from Japan and the USA. We explore whether there are differences between the Japanese and American firms we surveyed as to the use of various integration methodologies and any effects thereof on NPD program performance. We find that the Japanese firms we survey did differ substantially from the American firms in using the integration mechanisms. However, only innovation capabilities appeared to be significantly linked with both overall performance and nationality. (For more information, please contact: William Ha Johnson, b, United States: wjohnson@bentley.edu)

Meet Me in the Middle: Interactional Absorptive Capacity and its Implication on Recipients' Innovation Performance

Preet S. Aulakh, York University
Marshall Shibing Jiang, Brock University
Rekha Krishnan, Simon Fraser University

Extant absorptive capacity research lacked the focus on the capability to establish a knowledge inflow mechanism favorable to a recipient firm. We examine how such interactional absorptive capacity affects a recipient firm's innovation performance. We observe how the degree of technology involvement and administration involvement by a recipient firm contributes to a recipient firm's innovation capability, taking into considerations of power relationship and national cultural distance between a knowledge source firm and a recipient firm. We found that both technological level and administrative level interactional absorptive capacity are positively related to recipient's innovation performance. A knowledge source firm's power dependence on a recipient negatively moderates the relationship between administrative level absorptive capacity and innovation performance; while cultural distance positively moderates both the relationships between technological and administrative level absorptive capacity and innovation performance. *(For more information, please contact: Marshall Shibing Jiang, Brock University, Canada: mjiang@brocku.ca)*

The Effect of Organizational Learning and International Corporate Entrepreneurship on Export Performance in Mainland China

Lancy Mac, University of Macau
Felicitas Evangelista, University of Western Sydney

Corporate entrepreneurship and organizational learning are among the major contributors of firm-level performance especially for companies engaging in international business. This study was designed to investigate the relationship between these two antecedents as well as their effect on export performance among exporters in Mainland China. A number of learning variables were incorporated to test their effect on international corporate entrepreneurship (ICE). It was found that commitment to learning, learning style and market learning are significantly related to ICE which in turns leads to export performance. ICE was also found to be a perfect mediator between the above mentioned learning variables except for market learning which showed higher contribution to export performance than on ICE. In fact, the presence of both market learning and ICE can reinforce each other and create a synergistic effect on performance. *(For more information, please contact: Lancy Mac, University of Macau, Macau: lancymac@umac.mo)*

Session: 1.4.13 - Special Session

Publishing: What Works and What Doesn't

Presented On: July 1, 2008 - 14:20-15:35

Chair: Robert Goddard, Appalachian State University

Publishing: What Works and What Doesn't

Robert Goddard, Appalachian State University
Neil Slough, Milwaukee Area Technical College
Frank McDonald, Bradford University
Pervez N. Ghauri, King's College London
David Griffith, Michigan State University
Tagi Sagafi-nejad, Texas A&M International University

The purpose of this panel is to provide a forum for junior (and senior) faculty to help them with the process of publication. AACSB accreditation and other factors have greatly increased the demand for publication outlets. The handful of Tier I journals in International Business may not be the prime target for many researchers and the field has seen an unprecedented growth in the number of journals addressing international management issues. While many of these new outlets can provide a rigorous peer review and quality publication alternatives, academic publishing from a journal's perspective is a critical perspective not often made available to researchers. *(For more information, please contact: Bob Goddard, Appalachian State University, United States: goddardrd@appstate.edu)*

Session: 1.4.14 - Competitive

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

Investigating Knowledge at Multiple Levels of Analysis

Presented On: July 1, 2008 - 14:20-15:35

Chair: Anil K. Gupta, University of Maryland

Knowledge Creation in Culturally-Diverse Teams

Rebecca Mitchell, University of Newcastle

Brendan Philip Boyle, University of Newcastle

Stephen Nicholas, University of Newcastle

In response to a recognised gap concerning the mechanisms and effects of cross-cultural teamwork, this study explores the assumption that the impact of cultural diversity on knowledge creating capability is consequent to associated differences in knowledge and perspectives, and contrast this mechanism against an alternative pathway, the utilisation of deliberative, collaborative behaviours. To investigate this theory, we assess whether cognitive heterogeneity and debate operate as mediating variables between cultural diversity and knowledge creation. The results provide some support for the assumed impact of cognitive heterogeneity but also generate significant evidence towards verifying our hypothesis that cultural diversity's impact on knowledge creation is through the mediator of debate, consequent to the perception of surface-level diversity. *(For more information, please contact: Rebecca Mitchell, University of Newcastle, Australia: rebecca.mitchell@newcastle.edu.au)*

Knowledge Transfer from Subsidiary to MNC Headquarters: The Role of Subsidiary HRM Practices

Sachiko Yamao, Monash University

Kate Hutchings, Monash University

This research examines the role that is played by Human Resource Management (HRM) in knowledge transfer from subsidiaries to headquarters in multinational corporations (MNCs). Based on a survey of 151 Australian subsidiaries of US, German and Japanese MNCs, we draw attention to the knowledge stock (defined as human capital and social capital) that is held in subsidiaries and their effect as knowledge providers. As one of the first empirical studies of the role of HRM in subsidiary-to-headquarters knowledge transfer, we argue that subsidiaries' human resource (HR) practices are antecedents of subsidiaries' knowledge stock, and examine configurations of HR practices that are conducive to building human and social capital. Our findings suggest that the role of subsidiaries' HRM lies in nurturing close ties between co-workers of a subsidiary and also between the subsidiary and its external stakeholders. The findings also indicate that the role of subsidiaries' HRM lies in accumulating knowledge of strategic importance not only for the subsidiary but also for its headquarters. The effective functioning of the subsidiary's HR practices is therefore crucial, not only for management of local operations, but also for headquarters' knowledge acquisition. *(For more information, please contact: Sachiko Yamao, Monash University, Australia: sachiko.yamao@buseco.monash.edu.au)*

The Translator as Knowledge Broker in the Korean Business Community in London (UK)

Fiona Moore, University of London
 Sid Lowe, Kingston University
 Ki Soon Hwang, Kingston University

In this paper, based on in-depth interviews, narrative studies, discourse analysis and participant-observation, we will consider the strategic use of language in power relations and knowledge management among Korean expatriate businesspeople and entrepreneurs in Southwest London. In particular, we will focus on the case of a translator, "Mrs Park", and how she has used her English language skills as a means not only of gaining power within both the Korean community, but to mediate between the Korean business community and non-Korean enterprises in London, and also to consolidate her role as "gatekeeper" between the two. We will also consider her role as "privileged insider" within both Korean and non-Korean businesses, and the way in which she builds up a degree of power through using her position as the possessor of a rare linguistic skill. Moving out into the wider community, we will compare and contrast Mrs Park's experiences with those of another Korean entrepreneur outside of the translation industry, and how both employ their English and Korean language skills to further their strategic positions through allowing the transfer or withholding of knowledge. We conclude that language and identity play key roles in the knowledge management of international businesses. *(For more information, please contact: Fiona Moore, University of London, United Kingdom: fiona.moore@rhul.ac.uk)*

Inpatriates' Knowledge Sharing at the HQ: The Moderating Effects of HQ Absorptive Capacity and Inpatriate Mentoring

B. Sebastian Reiche, IESE Business School

Viewing knowledge as rooted in individuals, this study investigates knowledge sharing in multinational corporations (MNCs) from an individual-level perspective. Specifically, we focus on inpatriates as a particular group of knowledge actors in MNCs and examine the role of their social ties with headquarters staff for knowledge exchange. Based on a sample of 286 inpatriates in ten German MNCs, the study demonstrates that inpatriates' individual efforts and perceived HQ staff efforts for knowledge sharing are positively influenced by inpatriates' social ties with their headquarters colleagues and that both perceived HQ absorptive capacity and inpatriate mentoring by HQ staff moderate this relationship. *(For more information, please contact: B. Sebastian Reiche, IESE Business School, Spain: sreiche@iese.edu)*

Session: 1.4.15 - Panel**Track: Track: 1 - The Context of Global Business*****Corporate Governance in Comparative Perspective***

Presented On: July 1, 2008 - 14:20-15:35

Chairs: Michael A. Witt, INSEAD and Ruth V. Aguilera, University of Illinois at Champaign-Urbana

Cross-National Diversity in Corporate Ownership: A Fuzzy Sets Comparative Approach

Ruth V. Aguilera, University of Illinois at Champaign-Urbana

Framing Globalization: Local Politics and the Transformation of Corporate Governance in South Korea and Japan

Christina L. Ahmadjian, Hitotsubashi Graduate School of International Corporate Strategy

Institutions and Voluntary Compliance: The Disclosure of Individual Executive Compensation in Germany

Amon Chizema, Loughborough University

Capital Mobility and Short-Term Investors: An Institutional Perspective on the Evolution of Corporate Governance in France and Germany

Michel Goyer, Warwick Business School

The Purpose of the Firm: An Ethnographic Study of the Thinking of Top-Level Executives in German and Japanese Firms

Michael A. Witt, INSEAD

Our panel seeks to discuss comparative corporate governance research in different advanced industrialized countries, and draws on institutional theory broadly speaking. We will pay special attention to examining the drivers of existing corporate governance structures, what triggers change of corporate governance practices, the diffusion of practices over time, and finally the local adaptation to foreign pressures for change. The panel will touch on topics such as determinants of ownership structure in 22 OECD countries (Aguilera and Jackson), the transformation of corporate governance in Japan and South Korea (Ahmadjian and Song), changes in the compulsory disclosure of individual executive compensation in Germany (Chizema), the rise of short-term foreign ownership in some European countries and not others (Goyer), and the mental underpinnings of corporate governance structures in Germany and Japan as expressed in the thinking of senior executives about the purpose of the firm (Redding and Witt).

Session: 1.4.16 - Competitive

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

HRM Topics In IB

Presented On: July 1, 2008 - 14:20-15:35

Chair: Nakiye Boyacigiller, Sabanci University

Tensions for HR: Who takes Responsibility for Work-life Management in Multinational Corporations?

E. Anne Bardoel, Monash University

Helen L. De Cieri, Monash University

Balancing demands for global co-ordination with the need for responsiveness to local conditions presents challenges in many areas of international business. Managing work-life issues is emerging as a substantial concern for HR managers in many multinational corporations (MNCs). Our study of 11 MNCs utilizes interviews with 23 HR managers, including both corporate HQ and local perspectives, to explore the management of work-life issues. While work-life management issues are recognized as important strategic matters, it is well recognized that tensions exist between the parties involved in implementation of work-life policies and practices. In this paper, we apply a tension-centered approach to understand work-life management. We develop a framework through which the responsibilities for work-life management in MNCs, and strategies to resolve tensions, can be applied. Our research shows that there are numerous emerging challenges for researchers and practitioners related to global work-life management. *(For more information, please contact: Helen L. De Cieri, Monash University, Australia: helen.decier@buseco.monash.edu.au)*

High Involvement Information Sharing Practices: An International Perspective

J. Bruce Prince, Kansas State University

Jeffrey Katz, Kansas State University

Rüdiger Kabst, Justus-Liebig-Universität

The type of information shared within organizations has been suggested as a key aspect of strategic human resources management in high performance organizations. However, most empirical assessments of information

sharing activities have been limited to domestic U. S. firms. In this exploratory study we expand our understanding of high performance work systems by examining the information sharing practices of firms headquartered in different countries to assess our belief that information sharing in high involvement organizations is impacted by home country economic structures and regional national cultural factors. We assessed firm-level data from a 12-country sample from the CRANET database to evaluate the use of formal information sharing practices for non-managerial. The results of our analysis support that information sharing practices varies by home country, and that cultural similarity based on geographical region exists within the three information content areas relating to business strategy, financial performance, and organization of work. Specifically, we found significant variance in information sharing practices of firms based on home country but homogeneity of information sharing practices among geographical neighbors. These results have important implications for the on-going theoretical development of mechanisms underlying the use of high performance work system practices in an international context. *(For more information, please contact: J. Bruce Prince, Kansas State University, United States: jbrprince@ksu.edu)*

Institutional Constraints on Communication, Employee Participation and Employee Satisfaction? Evidence from the Chinese Retail Sector

Qihai Huang, Manchester Metropolitan University
 Jos Gamble, Royal Holloway, University of London

It is widely believed that both formal and informal institutions can shape and constrain management practices, such as the form of human resources management. However, little research has focused on the ways in which the social institution of respect for authority and hierarchy, an important social institution in countries like China, can influence human resource practices. The primary goal of the present study is to assess whether it constrains communication and employee participation in foreign invested and state owned retailers in China and employee satisfaction with these dimensions. Data are derived from questionnaires completed by almost nineteen hundred employees at twenty two foreign-invested and state-owned retail stores in eight Chinese cities. It is found that such a norm can operate as a constraint on employee communication and employee participation with related impacts upon satisfaction levels in foreign invested and state owned retailers, but that these play out in unexpected ways.

Key words: institutions, communication, participation, retail, HRM, satisfaction, China

(For more information, please contact: Qihai Huang, Manchester Metropolitan University, United Kingdom: q.huang@mmu.ac.uk)

Understanding Locals' Compensation Fairness Vis-à-Vis Foreign Expatriates: The Role of Compensation Equity

Justin P Kraemer, Rutgers University
 Chao C. Chen, Rutgers University
 James T. Gathii, Albany Law School

This study examined antecedents and consequences of compensation fairness vis-à-vis foreign expatriates as perceived by locals working in multinational companies in Kenya. It was found that compensation disparity vis-à-vis expatriates negatively affected locals' perceived compensation fairness but compensation advantage vis-à-vis other locals positively affected such fairness perceptions. Furthermore the effects of both disparity vis-à-vis expatriates and advantage vis-à-vis other locals were mediated through perceived compensation equity. Lastly, the positive effect of compensation advantage vis-à-vis other locals was enhanced by expatriates' interpersonal sensitivity toward locals. Theoretical and practical implications are discussed. *(For more information, please contact: Justin P Kraemer, Rutgers University, United States: jkraemer@andromeda.rutgers.edu)*

Session: 1.5.1 - Panel

Track: Track: 6 - Learning, Knowledge and Innovation

Knowledge Flows in the Cross-regional and Cross-border Context

Presented On: July 1, 2008 - 16:05-17:20

Chair: Mariko Sakakibara, University of California, Los Angeles

Knowledge Flows Within Multinational Corporations (MNCs) and Between Organizations
John Cantwell, Rutgers University

Headquarter and Subsidiary roles in the Emergence and Diffusion of Technological Capabilities in the MNC
Ivo Zander, Uppsala University

What Determines Knowledge Sourcing From Host Locations of Overseas R&D Operations? : A Study of Global R&D Activities of Japanese Multinationals
Jaeyong Song, Seoul National University

Explaining Cross-Regional Differences in Impact & Diffusion of Local Innovations
Jasjit Singh, INSEAD

Assessing the Role of University Patent Rights: Comparison of University-Industry Knowledge Transfer in U.S., Japan and Europe
Mariko Sakakibara, University of California, Los Angeles

The inter- and intra organizational creation, sourcing and transfer of knowledge has become an essential part of any corporate strategy. This panel seeks to examine major issues pertaining to knowledge flows in the cross-regional and cross-border context. We first examine knowledge flows within Multinational Corporations (MNCs) and between organizations. The issues to be discussed include: the evolution of internal and external, networked and non-networked forms of coordination of economic activity; how the diffusion of technological capabilities within the multinational network has become more extensive and rapid; and the mechanism of knowledge sourcing from host locations by overseas R&D labs, including technological capabilities, embeddedness, and researcher mobility. We then shift our attention to the cross-regional differences in patterns/quality of innovation and knowledge diffusion, focusing on how differences across regions in patterns of individual mobility and social networks (as observed in data on inventors of patents) affect these. Finally, we compare university-industry knowledge transfer in the U.S., Japan, and Europe, and we investigate whether university patent rights contribute to such knowledge transfer.

Session: 1.5.2 - Competitive**Track: Track: 10 - Outsourcing, Offshoring, Supply Chain*****Explaining Offshoring*****Presented On:** July 1, 2008 - 16:05-17:20**Chair:** Bent Petersen, Copenhagen Business School***Does Distance Matter? The Role of Culture, Risk, and Geographic Distance in Offshore Investment Location***Eugene D. Hahn, Salisbury University
Kraiwinee Bunyaratavej, Wesley College
Jonathan Doh, Villanova University

Offshoring of services has gained considerable attention in management circles. However, little empirical research has explored the range of factors – beyond lower wages – that contribute to broader services offshoring location choices. Moreover, the emerging sourcing alternative of nearshoring has been almost completely unexplored by empirical academic research. In this paper we empirically assess the impact of economic, cultural, and risk characteristics on firms' offshore services location choices. We further differentiate between offshoring and nearshoring. We find that wages, culture, and risk all contribute to firm decision-making regarding services offshoring location choices, and that these factors are more or less important to firms depending upon the characteristics of the offshoring sector (higher versus lower value-added services). We suggest that offshoring firms are willing to trade off some gains in one area (lower wages) for costs in others (higher risk), and that the factors that drive nearshoring are qualitatively different than those that influence offshoring. We conclude that different offshoring functions will increasingly gravitate to different locations with different endowments. *(For more information, please contact: Jonathan Doh, Villanova University, United States: jonathan.doh@villanova.edu)*

Explaining the Worldwide Sourcing of Technical and Administrative ProcessesPeter W Liesch, University of Queensland
Bernard Simonin, Tufts University
Gary A. Knight, Florida State University

Using a novel modelling approach to represent the firm in the market, we develop a theoretical explanation of externalisation to clarify the phenomena of outsourcing and offshoring of technical and administrative tasks. We employ hypothetical firm illustrations to elaborate the worldwide market for market transactions and increased opportunities for international sourcing. A comprehensive typology of offshorable organisational processes is developed with process dimensions offered to compare offshoring of technical and administrative work. This typology and its dimensions is applied to our conceptual model. A call for an externalisation theory in international business is made. *(For more information, please contact: Peter W Liesch, University of Queensland, Australia: p.liesch@business.uq.edu.au)*

Managing People, Knowledge and Client Relations for International Competitiveness of Offshore Information Technology Services ProvidersRevti Raman, University of Auckland
Doren Chadee, University of Southern Queensland

This paper adds to the literature on international outsourcing by focusing specifically on firm level sources of competitiveness of offshore service providers (OSPs) providing information technology and related services. The paper identifies top management global orientation, human resource orientation, knowledge management and

partnership quality as the main firm level elements of their international competitiveness (IC). We find significant empirical support for all of the identified variables except the client relations on one or another element of IC using data from 63 OSPs from India collected through a web based questionnaire survey. The study provides an understanding of performance and behaviour of OSPs who are less understood strategic players in the services offshoring landscape. The paper concludes with a discussion of the implications for managers, limitations of the study and directions for future research in this area.

We would like to thank Nasscom for endorsing our survey to their member companies and Education New Zealand for financial assistance for the research project. Senior authorship is not assigned (*For more information, please contact: Revti Raman, The University of Auckland, New Zealand: r.raman@auckland.ac.nz*)

The Emerging Global Race for Talent: Implications for Offshoring Innovation

Arie Y. Lewin, Duke University
 Silvia Massini, University of Manchester
 Carine Peeters, Universite Libre de Brussels

Using 2005 and 2006 data from multi year Offshoring Research Network (ORN) project, this paper presents and analyzes U.S. firms' offshoring practices and strategies for accessing talent and locating innovation activities offshore. Although "taking out costs" continues to be an important driver of firm offshoring decisions, participating companies are increasingly and surprisingly offshoring innovation and knowledge creation activities that conventional wisdom suggests are a core competence of the firm. The empirical results show that offshoring of innovation activities are partially explained by the emerging shortage of high skilled technical talent in the U.S., which drives the need to access talent globally, and that cost considerations are not a significant driver of offshoring innovation activities. (*For more information, please contact: Silvia Massini, University of Manchester, United Kingdom: silvia.massini@mbs.ac.uk*)

Session: 1.5.3 - Competitive

Track: Track: 1 - The Context of Global Business

Institutions, Information and International Business

Presented On: July 1, 2008 - 16:05-17:20

Chair: Dana Brown, Oxford University

ISO 9000: New Form of Protectionism or Common Language in International Trade?

Joseph Clougherty, Wissenschaftszentrum Berlin
 Michal Grajek, European School of Management and Technology

A debate exists as to how ISO 9000 impacts trade. On the one hand, it is argued that ISO 9000 is a "common language", which lowers information asymmetries between firms, thus allowing more efficient organization of cross-national trade. On the other hand, ISO 9000 is criticized as a means of introducing market-entry barriers and a tariff on international trade. Empirical results in this paper support the common language and reject the trade barrier hypothesis. Other benefits of ISO 9000—quality signaling and internal efficiency gains—are also possible though not individually tested. (*For more information, please contact: Joseph Clougherty, Wissenschaftszentrum Berlin, Germany: clougherty@wzb.eu*)

Institutional Context and the Reliability of Third-Party Ratings in Russia's Post-Communist Banking Industry

Andrew Spicer, University of South Carolina

Livia Anna Markoczy, University of Texas at Dallas

We examine the accuracy of third party evaluation and rating in an emerging economy: Russia. We suggest that the accuracy of third party ratings depend on the accuracy of the input information that is available to these raters, which is a function of the institutional environment. In many emerging countries, an underdeveloped institutional environment facilitates informal practices that hide information from external oversight, often making the information available to rating and accreditation agencies highly inaccurate. Yet, despite these differences in institutional context, we propose that foreigners may overgeneralize their positive experiences with third party rating from their home countries to emerging economies. Given their lack of local knowledge, foreigners may rely on third-party evaluations even when domestic organizations eschew such information. We test our propositions about the misuse of third-party ratings in emerging economies by looking at the characteristics of Russians banks that received foreign loans prior to the August 1998 financial crisis and the subsequent survival of the banks following the crisis. We show that foreign investors relied on third-party evaluations and ratings to make investment decisions before the crisis, while domestic organizations did not. We also demonstrate that the Russia banks that received the highest ratings before the crash were the most likely to fail following it. *(For more information, please contact: Andrew Spicer, University of South Carolina, United States: aspicer@moore.sc.edu)*

Transnational Connections and Strategic Choice: Venture Capital Firms' Entry into Foreign Markets

Isin Guler, University of North Carolina

Mauro F. Guillen, University of Pennsylvania

Drawing on the world-society and neo-institutional perspectives in organizational sociology, we examine whether the transnational connections created by trade, migration, and previous interorganizational collaboration affect strategic organizational choices in the specific case of foreign market entry. We report results using information on 1,010 American venture capital firms potentially investing in 95 countries during the 1990-2002 period. Controlling for economic, financial, and regulatory factors in the host country, we find that trade, migration, and the presence of syndication partners increase the rate of entry and mitigate the adverse effects of uncertainty. *(For more information, please contact: Isin Guler, University of North Carolina, United States: guler@unc.edu)*

Exploring the Determinants of Brand Country of Origin Recognition

Oscar Martín, Public University of Navarre

Julio Cerviño, Universidad Carlos III de Madrid

Country of Origin (COO) and brand awareness are two important research areas in the international marketing field. Their intersection results in a topic that is the core of this paper: "brand country of origin awareness". The objective of this research is to explore the determinants of this construct. After a description of a proposed research framework and a review of the related literature, eleven hypotheses are formulated and empirically tested in order to identify brand COO awareness determinants. Data from 34 countries obtained through a 1,440,000 Internet "pop-ups" on-line survey carried out in Yahoo portals provide the basis for the empirical analysis. The findings support the framework and most of the hypotheses. Specifically, they show that consumers' personal characteristics, brand name features and inter-country variables are among the determinants of brand COO recognition. After discussing the findings, managerial and policy-makers implications are finally presented *(For more information, please contact: Oscar Martín, Public University of Navarra, Spain: oscar.martin@unavarra.es)*

Session: 1.5.4 - Competitive
Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

Workplace Relations

Presented On: July 1, 2008 - 16:05-17:20

Chair: Maggi Phillips, Pepperdine University

What Affects Willingness to Mentor? An Investigation of Attachment Styles and Experience in Mentoring Relationships

Sheng Wang, University of Nevada, Las Vegas
Raymond A. Noe, The Ohio State University
Zhong-Ming Wang, Zhejiang University
David B. Greenberger, The Ohio State University

Based on attachment and mentorship theory and research this study examines the influence of attachment styles and mentoring experiences on willingness to mentor in the future. Data were collected from mentors and protégés participating in a formal mentoring program. The predictors of willingness to mentor in the future differed for mentors and protégés. Both dimensions of attachment styles, avoidance and anxiety, negatively influenced mentors' and protégés' willingness to mentor in the future. Attachment-related avoidance and anxiety interacted to influence willingness to mentor. Mentoring experience factors explained unique variance beyond attachment styles variables. For mentors, willingness to mentor in the future was also positively related to relationship satisfaction but negatively related to contact time. For protégés, willingness to mentor in the future was positively related to the extent of mentoring functions protégés received and contact time with current mentors. Implications for research and practice are discussed. *(For more information, please contact: Sheng Wang, University of Nevada, Las Vegas, United States: sheng.wang@unlv.edu)*

The Dissolution of Swift Trust in a Cross-cultural Temporary Work Group Facing Acute Stresses

Richard L. Priem, University of Wisconsin-Milwaukee
Paul C. Nystrom, University of Wisconsin-Milwaukee

Temporary work groups can be sources of organizational flexibility and effectiveness, because they allow the application of needed skills to critical, time-sensitive tasks. Yet to be successful these groups of relative strangers must overcome challenges not faced by on-going work groups. Challenges include the development of swift trust to allow immediate communication and coordination among group members, and the maintenance of this swift trust even when the group faces acute stresses from the task or environment.

We analyze swift trust development and dissolution in the natural context of a British Army expedition to Borneo, during which a cross-cultural, temporary work group of ten soldiers struggled for their lives as swift trust dissolved and the group split into four subgroups. As we conduct these analyses, we offer new propositions regarding the development and dissolution of swift trust in temporary work groups facing acute stresses. *(For more information, please contact: Richard L. Priem, Univ. of Wisconsin-Milwaukee, United States: priem@uwm.edu)*

Multinational Enterprises and Employment in the Netherlands: The Direct and Indirect Effects of FDI on Wages and Labour Conditions

Fabienne Fortanier, University of Amsterdam

Despite substantial research on the employment consequences of foreign direct investment (FDI), much uncertainty remains about to extent to which inward foreign investment contribute to the wages and

employment conditions in home and host countries. This paper addresses this issue for the Netherlands, using a unique employee-level dataset that includes detailed information on the wages and employment conditions of more than 60,000 Dutch employees in the private sector between 2004 and 2006. The direct and indirect effects of inward investment are explored for a large set of dependent variables that cover virtually all elements of 'good' employment: wages, but also the nature of employment contracts and hours, the provision of training, equal opportunity for women, perceived job stress, health and safety on the work floor, industrial relations, and overall job satisfaction. *(For more information, please contact: Fabienne Fortanier, University of Amsterdam, Netherlands: F.N.Fortanier@uva.nl)*

Workplace Attraction in Latin America and Spain: Demographic Interactions with Foreignness Characteristics
William Newbury, Florida International University

Organizations depend upon external constituencies for critical resources. Yet, little international business research examines factors causing these constituencies to pursue behaviors that support firms. One such constituency is potential employees, and recent research has examined the extent to which people are attracted to foreign headquartered and more international firms (e.g., Newbury, Gardberg and Belkin, 2006). However, existing studies in this area are still few in number, and limited primarily to developed country settings. We contribute to this literature by examining workplace attractiveness in six Latin American countries and Spain. In doing so, we also refine existing theory regarding the effects of foreignness to account for differing foreignness perspectives in the developing world. We analyze 34,596 individual evaluations of 71 companies operating in these countries, collected by the Reputation Institute in conjunction with The Foro de Reputación Corporativa. Our results suggest that foreign-headquartered companies are less attractive employers, while firms with a greater percentage of sales outside the local market are more attractive. Moreover, we find that respondent age, income, social class and educational level significantly interact with our foreignness variables in predicting company attractiveness. *(For more information, please contact: William Newbury, Florida International University, United States: newbury@fiu.edu)*

Session: 1.5.5 - Competitive

Track: Track: 9 - Internationalization and Intl. Marketing

Determinants of Export Performance

Presented On: July 1, 2008 - 16:05-17:20

Chair: Victor Almeida, UFRJ/Coppead

An Integrative Classification of Barriers To Exporting: An Empirical Analysis in Small and Medium-sized Enterprises

Jesús Arteaga-Ortiz, Universidad de Las Palmas de Gran Canaria

Rubén Fernández-Ortiz, Universidad de La Rioja

Antonio Mihi-Ramírez, Universidad de Granada

One of the most important issues addressed in research on international business is why certain companies export more than others. A frequent explanation in the literature is the different perceptions that company directors and managers have of barriers to exporting. In the last thirty years the literature on internationalization has studied export barriers without establishing a common classification, and with no homogeneity in terms of the number or types of existing barriers and their relative importance, nor a uniform approach to identify the most important barriers, the different types of barriers, or a scale in which they could be included. Therefore, we consider that there is a gap in research on exporting.

This paper seeks to review the main theoretical and empirical studies on export barriers, to propose an integrative classification of such barriers, and to perform an empirical comparison of their perception so that the classification can be universally accepted and used in future studies on exports.

Using a population of 2,590 companies (478 responses) and structural equations, we confirmed the four proposed dimensions or factors of export barriers, namely, knowledge, resources, procedure and exogenous barriers. The conclusions of this study offer a number of academic implications and contributions. *(For more information, please contact: Jesus Arteaga, Universidad de Las Palmas de Gran Canaria, Spain: jarteaga@dede.ulpgc.es)*

Determinants of Export Performance: A Study with Large Brazilian Manufacturing Firms

Jorge Manoel Teixeira Carneiro, Pontifical Catholic University of Rio de Janeiro
Angela da Rocha, Federal University of Rio de Janeiro
Jorge Ferreira da Silva, Pontifical Catholic University of Rio de Janeiro

We investigated the impact on export performance of the external environment, firm characteristics and firm strategy. A survey with a sample of 448 large Brazilian exporters of manufactured products was conducted. A structural equation modeling (SEM) approach was used to fit the conceptual model to empirical data. An extensive set of procedures for the validation of measurement models was used. Export performance exhibited a multidimensional structure and the model explained 76.6% and 40.1% of the observed variance of past export revenues and of past export profitability, respectively. *(For more information, please contact: Jorge Manoel Teixeira Carneiro, Pontifical Catholic University of Rio de Janeiro, Brazil: jorgemtc@globo.com)*

Effects of Government Export Assistance Program on Export Performance

Chol Lee, Sogang University
Michael R. Czinkota, Georgetown University

We analyze the effects of government export marketing assistance programs on export performance using the case of Korean firms. We find that export assistance does not affect export performance directly, but rather indirectly through enhanced international marketing capabilities. which, in turn, affect export performance positively. We also test for the effect of government export promotion programs by firm size, export experience and technology intensity. We conclude that policy makers should focus and evaluate government export marketing assistance programs based on improvements in exporter's international marketing capabilities, rather than on the increase in export volume. *(For more information, please contact: Chol Lee, Sogang University, Korea, South: chollee@sogang.ac.kr)*

Do Consumer Expectations Match Experience? Predicting the Influence of Price and Country of Origin on Product Quality in International Markets

Roberta Carolyn Veale, University of Adelaide
Pascale G. Quester, University of Adelaide

This multistage study investigates the influences of price and country of origin (COO), as extrinsic cues, on consumers' perception of product quality. Chardonnay wine was used as the test product in a three (COO) x three (price) by three (acid level) conjoint analysis fractional factorial design. Firstly, their respective influences were measured when all intrinsic cues were experienced through sensory perception (taste testing, N=263). Next their effect on expectations of wine quality was determined via survey methodology (N=274), where the same extrinsic and intrinsic cues were only described. Lastly, results from both stages of the research are compared to reveal any differences between experienced quality (taste testing) and expectations as determined by description only. Findings from the first test showed that respondent reliance on extrinsic cues remained extremely robust, in spite of the manipulation of objective product quality to differing levels. Importantly, these

results were supported by the data collected in the second study measuring expectations of quality by survey alone. Findings mean marketers cannot assume intrinsic attributes, even when experienced, will be weighted and interpreted accurately by consumers. The research significantly advances understanding of consumers' use of extrinsic cues (price and COO specifically), and their respective influence on determination of both expected and experienced quality. The study also shows conjoint analysis by survey to be a credible method for measuring consumer reactions to the tested wine attributes. This may permit the use of the same survey instrument to gather data from a number of source markets, allowing the identification of more global as opposed to localized preferences. *(For more information, please contact: Roberta Carolyn Veale, The University of Adelaide, Australia: roberta.veale@adelaide.edu.au)*

Session: 1.5.6 - Competitive

Track: Track: 6 - Learning, Knowledge and Innovation

External Sourcing of Knowledge and Learning

Presented On: July 1, 2008 - 16:05-17:20

Chair: Christoph Grimpe, Centre for European Economic Research (ZEW)

The Trajectory of Knowledge Acquisition via Offshoring Alliances: The Perspective of Local Partners

Peter Ping Li, California State University, Stanislaus

Yuan Li, Xian Jiaotong University

Yi Liu, Xian Jiaotong University

Dong Yang, Xian Jiaotong University

From the perspective of local partners, this article proposes and tests a conceptual model to explain the relationships between knowledge acquisition intent, technological capability enhancement, governance mode, and firm performance. Using a sample of offshoring alliances in China, we empirically tested and confirmed the mediating effect of technological capability enhancement on the relationship between knowledge acquisition intent and firm performance as well as the moderating effects of trust and contract on the relationship between knowledge acquisition intent and technological capability enhancement. *(For more information, please contact: Peter Ping Li, California State University, Stanislaus, United States: pli@csustan.edu)*

Learning-Alliances of Biopharmaceutical Firms: An Exploratory Study

Navid Asgari, National University of Singapore

The positive effect of learning alliances which engage the firm into a process of basic knowledge exchange and the timing issue of these alliances are examined through the lens of absorptive capacity theory. The findings show that the alliances which serve as conduits of basic knowledge increase the innovative output of biopharmaceutical firms but this positive effect attenuates as time passes. Moreover, I argue that congestion of these alliances at the initial life period matters. These findings, based on an unbalanced data on 20 firms from different time periods (294 observations) contribute to research on alliances in biopharmaceutical industry. *(For more information, please contact: Navid Asgari, national university of Singapore-Business School, Singapore: navid@nus.edu.sg)*

Innovation through External Sourcing Activities: An Overview of Major Trends and Patterns of Telecommunications Service Providers Industry

Hans Van Kranenburg, Nijmegen School of Management
 Jacqueline Pennings, Maastricht University, FEBA
 Cinzia Dalzotto, Jönköping International Business School
 John Hagedoorn, Maastricht University, FEBA

Deregulation, technological innovation and the convergence of media, entertainment, information, and consumer electronics industries have changed the telecommunications landscape into a turbulent environment. Telecommunications service providers operating in this environment have to make adequate adaptations to these fast moving changes and respond quickly to create or to sustain their competitive advantage. These companies have substantially increased their external sourcing activities in new markets and new businesses, emphasizing that they are actively involved in becoming major players in the relevant markets. This study gives insight into the most important external sourcing activity trends and patterns of firms in the telecommunications providers sector since the eighties. We analyze the general growth patterns in inter-firm partnerships and M&As in the period 1986-2000. The data on external sourcing activity of telecommunications service providers show an overall increasing growth pattern since the mid 1980s. We find a rather steep increase in both the number of M&A deals with targets outside the telecommunications service provider sector and the number of inter-firm partnerships outside this sector. By Using country-level data, we also show the growth pattern in the number of M&A deals and inter-firm partnerships and the role that different international economic and trading blocks play in all this. We witness the dominance of North American companies in these external sourcing activities, although the number of external sourcing activities between non-North American companies has increased. *(For more information, please contact: Hans Van Kranenburg, Radboud University Nijmegen, Nijmegen School of Management, Netherlands: h.vankranenburg@fm.ru.nl)*

The Fit between Coopetition and Open Innovation Strategies - Keep your Friends Close and your Enemies Closer?

Christoph Grimpe, Centre for European Economic Research (ZEW)

High investment requirements, short product lifecycles and increasing competitive pressures have pushed many firms into embracing an "open innovation" paradigm when generating new products and processes. We investigate conceptually whether this rationale for cooperating with customers, suppliers, universities or consultants can be readily extended to collaborating with competitors or whether cooperating and competing at the same time (coopetition) do not fit together with such an open innovation strategy. We test our hypotheses empirically using a pooled panel dataset with 3,160 firm observations in Germany and find that coopetition is complementary to an open innovation strategy. However, a coopetition strategy alone proves to be detrimental for innovation success. *(For more information, please contact: Christoph Grimpe, Centre for European Economic Research (ZEW), Germany: grimpe@zew.de)*

Session: 1.5.7 - Competitive

Track: Track: 2 - Economics, Finance, Accounting, Taxation

Exchange Rates and Empirical Finance

Presented On: July 1, 2008 - 16:05-17:20

Chair: Elaine Hutson, University College Dublin

Openness and Foreign Exchange Exposure: A Firm-level Multi-country Study

Elaine Hutson, University College Dublin

Simon Stevenson, City University of London

We examine the relation between economic openness and foreign exchange exposure for a sample of 3,788 firms from 23 developed countries. We find that the more open the economy, the more exposed are its firms to exchange rate movements, and this relation holds after controlling for size and industry at the firm level, and several country-level governance and financial development variables. *(For more information, please contact: Elaine Hutson, University College Dublin, Ireland: elaine.hutson@ucd.ie)*

Using Survey Data to Resolve the Exchange Risk Exposure Puzzle

Aline Muller, University of Liège

Willem Verschoor, Erasmus University Rotterdam

Ron Jongen, Maastricht University

While in previous literature foreign currency exposure is estimated to be surprisingly small and insignificant, we question in this paper the rationality assumption and show that the traditional use of realized exchange rate changes to approximate unexpected currency shocks leads to a strong underestimation of the influence that exchange rates play in determining firm valuations. In light of a unique survey data base of individual exchange rate expectations, we distinguish between 'realized' and 'unexpected' foreign currency movements and find that half of our sample of 935 U.S. firms with real operations in foreign countries is significantly exposed to 'unexpected' exchange rate movements. In line with previously reported results, foreign exchange risk exposure is found to become increasingly perceptible when the return horizon is lengthened. The difference between the exposure to 'realized' versus 'unexpected' exchange rate movements is however decreasing when lengthening the horizon, suggesting that the more market participants disagree about the future path of currency values, the less investors and/or managers are likely to use the publicly available forecasts in their pricing and hedging decisions. *(For more information, please contact: Aline Muller, HEC Management School of the University of Liège, Belgium: aline.muller@ulg.ac.be)*

The Effect of Exchange Rate Volatility on the Relative Value of Growth and Switching Options in Foreign Direct Investment

Sangcheol Song, The Ohio State University

Mona Makhija, The Ohio State University

Seung-hyun Lee, University of Texas at Dallas

The Growth options view notes that FDI carry great growth potential through foothold investments within host countries. Through such investments, MNCs can adapt to local environment in incremental ways over time. Meanwhile, the switching options view indicates that FDI can flexibly shift value chain activities across countries under unanticipated fluctuations in macroeconomic factors. It is important to note that the two views provide conflicting predictions on the same attributes of multinationality. For example, minority ownership increases growth options value, while majority or whole ownership increases switching options value. In addition, broader

operations across many countries can be associated with switching options value, while deeper operations in a given country associated with growth options value. Without controlling for breadth of operations and level of ownership, the real options value of FDI can lead to inconclusive results by canceling out the value embedded in one type over another. Based on a sample of Korean manufacturing firms, we find that during the Korean economic crisis (characterized by high exchange rate volatility), firms' international investments provided them with switching options rather than growth options. International investments were associated with growth options during pre-crisis periods, however. *(For more information, please contact: Sangcheol Song, OSU, United States: song.203@osu.edu)*

Are Fama-French and Momentum Factors Priced?

Keith S. K. Lam, University of Macau

K. L. Li, China Merchants Bank

Simon M. S. So, University of Macau

This paper investigates whether the Fama-French factors and the momentum factors represent compensation for bearing risks by using the Hong Kong stock returns. Our results indicate that all the four risk factors, market premium, size premium, B/M premium, and momentum premium, are significantly priced. Among these four risk premiums, the market risk premium is the dominant one in explaining the variation of average returns. Both risk factors for size and B/M are also able to contribute significantly in explaining return variation. The impact of the momentum factor is limited and in some cases insignificant. According to the significant measures, investors can form their optimal portfolios and price assets *(For more information, please contact: Simon M. S. So, University of Macau, Macau: fbasms@umac.mo)*

Session: 1.5.8 - Competitive

Track: Track: 6 - Learning, Knowledge and Innovation

Knowledge Creation in Emerging Firms and Countries

Presented On: July 1, 2008 - 16:05-17:20

Chair: Tagi Sagafi-nejad, Texas A&M International University

Revealing the Chinese Style of Corporate Innovation: The Case of Indonesia's Largest Conglomerate

Kuan-Cheng Chen, Shih Hsin University

Corporate innovation is a much researched topic. These studies have been separated into three groups: the innovation framework and process, key success factors, and the Western experience. Yet we know little about innovation theories in the Chinese context. To contribute to the development of a Chinese style of corporate innovation, the author presents a case study on one of the largest ethnic Chinese family controlled business groups in Southeast Asia. The paper extends the primacy of corporate innovation theory by exploring the experience of Chinese context. Strategies for implementing a more effective innovation strategy in traditional Chinese family business are suggested. *(For more information, please contact: Kuan-Cheng Chen, Department of Business Administration, Shih Hsin University, Taiwan, R.O.C.: kchen@cc.shu.edu.tw)*

Returning Entrepreneurs vs. Indigenous Entrepreneurs: An Investigation of High Technology SMEs in Emerging Markets

Ou Dai, Loughborough University

Building on the knowledge-based view and network perspectives, this paper explores the relationships between knowledge, networks and firm performance. Using a unique, hand-collected dataset of 353 SMEs of returning

entrepreneurs and 358 local entrepreneur-owned SMEs from Zhongguancun Science Park in China, we find that the SMEs of returning entrepreneurs perform better than those owned by local entrepreneurs due to their technological and commercial knowledge as well as their international entrepreneurial orientation. Our results show that international networks positively affect firm performance in high-tech industries. Our findings indicate that returning entrepreneurs take competitive advantages through utilising their intangible assets and international networks to exploit business opportunities and development in an emerging economy. *(For more information, please contact: Ou Dai, Loughborough University, United Kingdom: o.dai@lboro.ac.uk)*

Search Orientation and Knowledge Creation in Emerging Market-based Science Park Firms

Yinghui Cao, Peking University
Changhui Zhou, Peking University

This paper contributes to the organizational search and learning literature by introducing a distinction between two types of search orientations: Internal Development Orientation (IDO) and External Leverage Orientation (ELO) under the context of emerging markets. Drawing insights from dynamic capability and learning perspectives, this paper examines how search orientation influences knowledge creation based on a nation-wide questionnaire survey of technology-based firms resident in China's national science parks. Our findings suggest that, compared with ELO, IDO tends to have a stronger positive effect on knowledge creation in terms of patenting propensity. There is also evidence that firm characteristics have significant moderating effects on the relationship between orientation and innovation. *(For more information, please contact: Yinghui Cao, Peking University, China: caoyinghui@gsm.pku.edu.cn)*

Technological Innovation Network and External Learning: A Latecomer's Perspective

Shuwen Wang, National Taiwan University
Shihmin Lo, National Taiwan University
Che-Jung Hsu, National Taiwan University
Show-Ling Jang, National Taiwan University

This study examines whether or not the positions of the network affect firm performance. We collected patent citation data to represent diverse organizations and provided evidence that positions within networks are related to firm performance. A sample set involves 176 firms in the global semiconductor industry. Different from previous research, this study was proposed a quality-adjusted measure of network variable and performance. As hypothesized, results show that quality-adjusted outdegree and betweenness centrality was significantly and positively related to firm performance. *(For more information, please contact: Shuwen Wang, National Taiwan University, Taiwan, R.O.C.: d93724003@ntu.edu.tw)*

Session: 1.5.9 - Competitive

Track: Track: 9 - Internationalization and Intl. Marketing

Strategies of Global Branding

Presented On: July 1, 2008 - 16:05-17:20

Chair: Sylvie K. Chetty, Massey University

Brand Standardization-Adaptation Strategies in Export Markets

Saeed Samiee, University of Tulsa
Insik Jeong, Korea University

A key component of marketing strategy for firms entering international markets concerns the decision on standardization-adaptation of brands across national markets. Drawing upon international marketing and brand

management literatures, this study defines and conceptualizes branding strategy based on the notion of brand elements. A set of internal and external environmental determinants are hypothesized to influence the adaptation of branding strategy composed of six brand elements. The proposed hypotheses are tested using survey data collected from internationally active manufacturers based in Korea. With one exception, the results indicate the proposed factors are statistically significant predictors of brand adaptation by active exporters in international markets. *(For more information, please contact: Saeed Samiee, University of Tulsa, United States: samiee@utulsa.edu)*

Global Brand Licensing: The Impact of Two-Sided Moral Hazard on Royalty Rates

Satish Jayachandran, University of South Carolina
 Kelly Hewett, University of South Carolina
 Peter Kaufman, Illinois State University

Brand licensing in an international context is an increasingly popular approach for established brands to enter foreign markets and to leverage their brand value to generate financial returns through royalty rates. In a brand licensing arrangement, a brand licensed to another firm is essentially leased to that firm for selling different products or services for a financial consideration. The authors examine the impact of market and brand characteristics on royalty rate from the perspective of agency theory. Using data obtained from actual licensing contracts, they find that concerns of moral hazard on the part of the licensor firm as well as the licensee firm influences royalty rates. Moral hazard concerns explain why economic characteristics of the licensee's country market influence royalty rates directly and in conjunction with brand characteristics. Cultural characteristics of the licensee's country market, specifically uncertainty avoidance and long-term orientation, influence the duration of the contract, which in turn impacts royalty rates. *(For more information, please contact: Satish Jayachandran, University of South Carolina, United States: satish@moore.sc.edu)*

Effects of Standardised Corporate Branding on Employees: A Cross-national and Country-specific Study

Bernhard Swoboda, University of Trier
 Markus Meierer, University of Trier
 Hanna Schramm-Klein, Saarland University
 Dirk Morschett, University of Fribourg

Corporate brand management is being examined more and more in the literature, but seldom in terms of cross-national effects among employees of a multinational corporation. However, a standardised corporate brand can generate different perceptions and effects in different countries, particularly in different cultures. The present paper addresses this topic by looking at the differences in perception and effect of a corporate brand standardised in 2001. Survey data from 38 countries have been analyzed according to a basic model following theoretical guidelines. We are able to show that, even when perceptions of the corporate brand are comparable, both brand-level purchase behaviour and brand citizenship behaviour argue in favour of country-specific management of the otherwise standardised corporate brand, as do the differing effects of the instruments investigated on corporate image, corporate reputation and commitment. *(For more information, please contact: Markus Meierer, University of Trier, Germany: m.meierer@uni-trier.de)*

The Value Proposition and Brand Extension Strategy of Retail Brands

Sonia Manjeshwar, Michigan State University
 Brenda Sternquist, Michigan State University

As retail markets get increasingly saturated, retailers run the danger of being indistinguishable clones of each other. The retail graveyard is dotted with the remains of many retailers that died into oblivion due to the lack of a differentiated strategy. In this paper, we offer conceptual insights into how a unique value proposition could be used to drive a successful retail brand extension strategy for different kinds of retailers. The dynamic

capability view of the resource based theory and the structural contingency theory provide a theoretical backdrop for the propositions. (For more information, please contact: Sonia Manjeshwar, Michigan State University, United States: manjeshw@msu.edu)

Session: 1.5.10 - Panel

Trailblazers: Women Fellows in the AIB (Panel Sponsored by WAIB, Women in the Academy of International Business)

Presented On: July 1, 2008 - 16:05-17:20

Chair: Stefanie Lenway, University of Illinois at Chicago

Exploring New Worlds: Adventures in International Marketing
Susan P. Douglas, New York University

In Another Voice: No Longer Men Alone
Nancy J. Adler, McGill University

Diversity in the AIB
D. Eleanor Westney, York University

Work-Life Balance: Some Guiding Principles
Rosalie L. Tung, Simon Fraser University

WAIB Trailblazers: Do They Matter?
Lorraine Eden, Texas A&M University

WAIB Trailblazers: What Is Missing From This Picture?
Nakiye Boyacigiller, Sabanci University

Women in Management and International Business: Some Perspectives
Mary Ann Von Glinow, Florida International University

Where Do We Go Next?
Sri Zaheer, University of Minnesota

Picking Your Battles
Joyce Elam, Florida International University

Session: 1.5.11 - Competitive

Track: Track: 4 - Subsidiary Evolution and Strategy

Subsidiary Contexts and Cultures; Regional and Local

Presented On: July 1, 2008 - 16:05-17:20

Chair: Joerg Zimmermann, Max Planck Institute of Economics

Subsidiary Capabilities in an Era of Regionalization

Alain Verbeke, University of Calgary

Wenlong Yuan, University of Lethbridge

We explore the effects of regional distance on the capabilities of multinational enterprise (MNE) subsidiaries, with an empirical application to 50 foreign subsidiaries operating in Canada. We test the hypothesis that the regional distance (or lack thereof) of an MNE parent to a host country affects the capabilities of its foreign subsidiaries. Specifically, we assess whether American MNEs, which are insiders in the NAFTA zone, experience a capability development of their Canadian subsidiaries different from that experienced by outsiders, in this case EU firms with operations in Canada: do outsiders face a liability of inter-regional foreignness? We also test whether any observed liability of inter-regional foreignness goes down over time as subsidiaries from outsider MNEs engage in learning processes, and build up capabilities similar to those held by insider subsidiaries. Importantly, we test whether this regional effect on subsidiary capabilities varies in function of the value chain activities considered. We conclude that subsidiaries of outsider MNEs do face a liability of inter-regional foreignness as compared to insider MNE subsidiaries. However, such liability tends to diminish over time, though at a different pace for the various value chain activities considered. *(For more information, please contact: Wenlong Yuan, the University of Lethbridge, Canada: wenlong.yuan@uleth.ca)*

The Market Value of Internationalization

Chang Hoon Oh, Brock University

This study evaluates the strategic activities of U.S. multinational enterprises (MNEs) by using an event study method. First, this study constructed entire strategic activities of the largest U.S. MNEs (169) for the years 2001-2005. Data showed that large U.S. MNEs' strategic activities had been centered on their home region (i.e. America). U.S. MNEs have built regional supply chains rather than global supply chains. Second, after controlling methodological problems in the event study, I found that the stock market negatively responds to foreign market (region) strategic activity; however, it positively responds to home market (region) activity. The market values of the strategic activities are also determined by firm-level factors -- capital structure and partner's relative size -- and country-level factors -- cultural distance. The evidence from this study provides clues to interpret the mixed results in internationalization and performance literature. *(For more information, please contact: Chang Hoon Oh, Brock University, Canada: coh@brocku.ca)*

National Culture Meets the Headquarters-Subsidiary Relationship in the Multinational Corporation: The Effect of Power Distance

Rian Drogendijk, Uppsala University

Ulf Holm, Uppsala University

We study how national cultural differences affect the managerial relation between MNC headquarters and subsidiaries. We argue that it is not cultural distance, so being from similar or different cultures, that affects this relationship, but instead it is the actual cultural variation that plays a role. We investigate this empirically focusing on how both HQ and subsidiary positions on the dimension of power distance relate to HQ's influence

on the subsidiary. Our dataset includes 946 subsidiaries in six European countries, from headquarters in 29 countries worldwide. We find that both HQ's and the subsidiary's position on the power distance dimension affect their relationship: HQ had most impact in situations where both parts' national cultures are accepting of power differences, but HQ impact appears in particular dependent upon the subsidiary's grade of power acceptance. *(For more information, please contact: Rian Drogendijk, Uppsala University, Sweden: rian.drogendijk@fek.uu.se)*

Decentralization in Multinational Corporations: The Impact of Corporate and National Cultures

Christopher Williams, University of Amsterdam

Sander Van Triest, University of Amsterdam

We develop and test a model of multinational corporation (MNC) decentralization in which the distribution of decision rights to subsidiaries is explained by aspects of both internal corporate culture as well as external subsidiary host country culture. We extend the literature on MNC decentralization by testing the impact of both of these factors as determinants within the same model. Drawing on management control theory as a conceptual platform, we argue that the assignment of decision rights to a subsidiary in an MNC is impacted by innovativeness and shared values within the corporate culture and uncertainty avoidance and individualism in external host country culture. We test our model on a sample of 108 MNC subsidiary managers drawn from a diverse range of industries and locations. The findings provide support to our propositions that corporate innovativeness and the level of uncertainty avoidance in the subsidiary's host country positively impact the decision to decentralize. However, our findings also contradict established international management logic: shared values are found to have a negative relationship with decentralization. Theoretical and managerial implications of these findings are discussed. *(For more information, please contact: Christopher Williams, University of Amsterdam, Netherlands: c.williams@uva.nl)*

Session: 1.5.12 - Competitive

Track: Track: 5 - Structure, Capabilities, and Planning

Organizational Structure and Design of the MNC

Presented On: July 1, 2008 - 16:05-17:20

Chair: Rakesh Sambharya, Rutgers University

Assessments of Organizational Modularity, Network Bandwidth, and Social Capital in the MNC's Value Network

H. J. Chiu, Neuroeconomic Behavioral Research Institute

We attempt to exam the direct effects of both organizational modularity and group social capital on strategic choice of effective configuration of the MNC's value network. This research further investigates three important mediators on these direct effects, such as network bandwidth, value growth path, and political ties to regional economic blocs. We denote these mediators as strategic drivers for deploying the MNC's group social capital.

Our findings generally support four sets of hypotheses developed from these theoretical arguments. Organizational modularity, measured by the within-module degree of the value network, affects positively strategic choice of effective network configuration of the MNC's value network. Group social capital also determines strategic choice of effective configuration of the MNC's value network in an invert-U fashion. In addition, group social capital has positive impact on network bandwidth as expected; it also affects value growth path positively in an exponential fashion only. Finally, the relationship between strategic choice of effective network configuration and group social capital is mediated fully by both network bandwidth and the geo-political factor. *(For more information, please contact: H. J. Chiu, Neuroeconomic Behavioral Research Institute, Taiwan, R.O.C.: hongjenm@yahoo.com.tw)*

Arguments Supporting a Renewed Interest in Matrix Structures for MNCs

William G. Egelhoff, Fordham University

Joachim Wolf, University of Kiel

There is currently little interest in studying the use of matrix structures in MNCs. This is surprising, since matrix structures are supposed to be good at addressing the high levels of complexity that appear in today's international environments and strategies. The paper reviews the existing matrix research and theory and argues that this is an overlooked opportunity. It uses an information-processing perspective to further conceptualize how matrix structures function, and it contrasts this with the functioning of elementary structures and network structures. It concludes that there is probably a greater role for matrix structures to play in MNCs than is evident in either the research or in practice. *(For more information, please contact: William G Egelhoff, Fordham University, United States: egelhoff@fordham.edu)*

Regions and Region Management: The Scope of the Regional Headquarter

Randi Lunnan, Norwegian School of Management

Youzhen Zhao, Fudan University

Several studies have been published the last few years discussing regionalization and the important role of geography in international management. The regional headquarter (RHQ) is an entity that is designed to control and coordinate activities within a region. The research on RHQs has limitedly discussed the scope of the region and implications for the MNE. In this paper we use data published on the web from 168 regional headquarters in Shanghai as well as 8 in depth interviews of regional headquarters. We find that cultural and geographical distance is strongly related to the scope of the RHQ. Home country MNEs located far from Shanghai more often use Asia as the region for the RHQ rather than China. This finding is intuitive as distance incurs coordination and communication costs, and suggests that when distance is high, MNEs will grant more autonomy and responsibility to the RHQ, giving it another role in the MNE than when cultures are similar. *(For more information, please contact: Randi Lunnan, Norwegian School of Management, Norway: randi.lunnan@bi.no)*

Intra-firm Competition in Multinational Corporations: Towards a Political Framework

Christoph Dörrenbächer, University of Groningen

Florian Becker-Ritterspach, University of Groningen

Intra-firm competition occurs when different subsidiaries of an MNC overlap with regard to products, markets, functions and technologies and headquarters try to make use of this overlap by coercive comparisons. Next to that intra-firm competition occurs when changes in subsidiary mandates have an impact on the MNC-internal competitiveness of the subsidiaries. Screening the International Business (IB) literature on intra-firm competition as well as the more extensive literature on subsidiary mandate change, the paper uncovers that both literature streams so far pay rather little systematic attention to the political dimension of intra-firm competition. Drawing on Crozier and Friedberg's micro-political approach of organized action, an alternative framework is developed that helps to identify key actors, their behavioral rationales and the contextual conditions that inform such rationales in political games surrounding intra-firm competition. *(For more information, please contact: Christoph Dörrenbächer, University of Groningen, Netherlands: c.dorrenbacher@rug.nl)*

Session: 1.5.13 - Competitive

Track: Track: 9 - Internationalization and Intl. Marketing

Global Strategies

Presented On: July 1, 2008 - 16:05-17:20

Chair: Timothy Michael Devinney, Australian School of Business

Standardisation International Marketing: The Crossmarket Scenario in the North American Region

Henry F L Chung, Massey University

The debate related to marketing standardisation is an ongoing research issue. Prior studies can be divided onto two scenarios based on their analysis approach- the home-host and intermarket (crossmarket) scenarios. This study adds new insights to the latter scenario by establishing a new framework for firms intended to operate in both the US and Canada at the same time. It confirms that firms operating in this regional market have adopted a highly standardised strategy. It also validates the general belief that the market conditions across these two markets are highly similar. It is, however, surprising that factors such as consumer-cultural, political-legal and economic are rated significantly to the deployment of crossmarket standardisation strategy but the significant impact of competitive-infrastructure environment fails to be supported. Firm-related factors such as firm size and international business experience are also confirmed to have a significant influence when operating in this regional market. The extent of cross-marketing standardisation is suggested to be related to firm's performance as well. *(For more information, please contact: Henry F L Chung, Massey University, New Zealand: h.chung@massey.ac.nz)*

The Adoption of Mobile Advertising: An Extended Technology Acceptance Model Perspective

Hsin Hsin Chang, National Cheng Kung University

Civvy Hsu-Wei Hsieh, National Cheng Kung University

Recent development of wireless technology encourages advertisers to increasingly adopt mobile devices to deliver advertising information in many countries. Mobile advertising is considered as an emerging marketing channel. This study attempts to extend the Technology Acceptance Model with two additional constructs: perceived utility and perceived interactivity. Then, this study conducts an online survey to investigate the relationships among constructs. Based on the empirical results, perceived usefulness, perceived ease of use, and perceived utility have significant effects on advertising effectiveness. This study confirms the importance of mobile advertising. Only one out of five hypotheses did not receive support. Finally, this study provides academic suggestions and managerial implications of mobile advertising. *(For more information, please contact: Civvy Hsu-Wei Hsieh, National Cheng Kung University, Taiwan, R.O.C.: civvy.hsieh@gmail.com)*

The Global Competitiveness of the Automotive Manufacturing Industry

Marc Fetscherin, Rollins College

James P. Johnson, Rollins College

Ilan Alon, Rollins College

We present a framework of industry global competitiveness that takes into account (a) industry specialization, measured by the revealed comparative advantage, (b) industry export growth rate and (c) relative industry size. We apply the framework to a dataset from the ten key global automotive-manufacturing countries for the period 1995-2005 to categorize national automotive industries as either static or dynamic, and either domestic or global, yielding a matrix with four classifications: domestic static, domestic dynamic, global static, and global dynamic. The 10-year data allow us to plot the movement of national industries across these classifications over

time. Our inter-country analysis shows that, for most countries, the automotive industry is dynamic, experiencing a relatively high rate of growth, and most of the countries in this study became more dynamic and more global over the 10-year time period. There is evidence that the global automotive industry is shifting from being centered in low-growth developed countries to being one whose pillars are anchored in the big, fast-growth emerging markets, such as China, India and Brazil. *(For more information, please contact: Marc Fetscherin, Crummer Graduate School of Business, United States: mfetscherin@rollins.edu)*

Is the Influence of Industrial District on Internationalization Strategies Eroding after Globalization? Evidence from a Traditional Manufacturing Industry.

José Pla-Barber, University of Valencia

Francisco Puig, University of Valencia

This study provides insight into the impact of industrial districts on firm international strategies, in the particular context of one traditional manufacturing industry: the Spanish home-textile industry. Using a sample of 128 manufacturing firms, the paper shows how location influences intensity of exports and acceleration of exports and imports. However, our findings evidence how these influences are diluted in recent years as the home-textile industry is more involved in the global arena. Therefore, the results of the article may contradict some arguments on exploring the advantages of the district in the firm's international strategy, in particular, first, on questioning the capacity of the district to prevent international sourcing, and second, on pointing out its vulnerability to the threats created by the growing integration of the world economy. *(For more information, please contact: José Pla-Barber, University of Valencia, Spain: jose.pla@uv.es)*

Session: 1.5.14 - Panel

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

The Global Mindset Project: Creating Knowledge for Theory and Practice

Presented On: July 1, 2008 - 16:05-17:20

Chair: Mary B. Teagarden, Thunderbird School of Global Management

Is The World Really Flat?

Mansour Javidan, Thunderbird School of Global Management

What Is Global Mindset?

Mary B. Teagarden, Thunderbird School of Global Management

The Science of Global Mindset

Christine M. Pearson, Thunderbird School of Global Management

Developing a Global Mindset: Questions of Execution, not Necessity

David E. Bowen, Thunderbird School of Global Management

The Global Mindset Project is rooted in an effort to help companies come to grips with the challenge of competitiveness in the networked global economy. Contrary to the "flat world" assertions of Thomas Friedman, the diversity of national cultures and their correlates is a major cause of the challenge encountered by these companies. The challenge to international management scholars and practitioners is to understand the implications of the diversity of human and societal environments and identify the organizational, managerial, and individual requirements that would help overcome the obstacles. We have operationalized the construct of Global Mindset as "the ability to influence individuals, groups, organizations, and systems that are unlike you and your own," and identified it as a major success factor for competitors in a global environment. Our premise

is that even though the world is getting flatter, individuals' minds are still firmly round. This symposium highlights the knowledge creation process, findings to date, and practical application of the Global Mindset Project. We believe that the Project will serve an important role in moving international management scholarship forward by developing a new standard for multilevel, polycontextual research that produces knowledge for addressing real-world challenges and advancing scholarly knowledge.

Session: 1.5.15 - Special Session

Knowledge Management in MNEs in Latin America (BALAS Special Session)

Presented On: July 1, 2008 - 16:05-17:20

Chairs: Maria Tereza Leme Fleury, University of São Paulo and John Sargent, University of Texas Pan American

Panelists:

John Sargent, University of Texas Pan American
Linda Matthews, University of Texas Pan American
Moacir Miranda Oliveira Junior, University of São Paulo
Leonardo Liberman-Yaconi, Universidade Adolfo Ibanez
Miguel Caldas, Fundacao Getulio Vargas

Session: 1.5.16 - Special Session

ANZIBA Special Session

Presented On: July 1, 2008 - 16:05-17:20

Chair: Peter J Dowling, Victoria University of Wellington

Western Management Training in Eastern Europe: Has it changed over the last decade and how?

Snejina Michailova, University of Auckland
Graham Hollinshead, University of Hertfordshire

Technology Spillovers from MNEs to local firms: A Network Theory Perspective

Alex Eapen, University of Sydney

Performance Management Issues in Oceania and Asia: Aligning Individual and Organisational Performance Expectations in Different National Contexts

Greg Fisher, RMIT University

Reinterpreting a "Prime Example" of a Born Global: Cochlear's International Launch

Lisa Hewerdine, University of Adelaide
Catherine L. Welch, University of Sydney

ABSTRACTS FOR WEDNESDAY, JULY 2, 2008

Session: 2.1.P - Plenary

Knowledge Development and Exchange in International Business Networks

Presented On: July 2, 2008 - 09:00-10:15

Chair: John Cantwell, Rutgers University

Knowledge Development and Exchange in International Business Networks

Yves Doz, INSEAD

Anna Grandori, Università Bocconi

Mats Forsgren, Uppsala University

Anil K. Gupta, University of Maryland

Knowledge Governance

Anna Grandori, Università Bocconi

As the Panel Outline observes, research on IB, IM and MNE has been largely marked by the organizational economics view characterized by a 'sharp distinction between planned and centralized decision making within the firm (...) and the market as providing an entirely decentralized and unplanned form of coordination of activity beyond the boundaries of the firm'. More recent research on MNE as networks (Bartlett and Ghosal 1991, Doz et al. 2001) and on the disaggregated corporation (Zenger and Hesterley 1997; Miles et al. 1997), as well as classic organizational research on the management and organization of innovation (Burns and Stalker 1961), has however highlighted that the effective internal organization of innovative, knowledge intensive firms, is highly decentralized, and coordinated by communities, teams and projects, combined with highly powered incentives that reproduce 'island of shared property rights' within the firm, rather than by plans (Laursen and Manke 2001; Lindkvist 2001; Grandori 2007). In addition, research on inter-firm networks has shown that external networks for innovation tend to be organized along the same pattern, and to make use of the same type of coordination mechanisms as internal networked organization (Grandori 2001): they typically involve extensive interfirm property right sharing, decision procedures for governing an ongoing collaboration, task and job descriptions, information systems, teamwork, e.g. the full array of possible organizational coordination mechanisms (Grandori 1997; Grandori and Furlotti 2006, 2007).

These advances suggest that a first direction for future research is to disentangle the principal attributes characterizing organization forms, rather than envisaging only polarized 'coherent', 'syndromes of attributes' : 'internal' versus 'external' organization, centralization (poliarchy versus hierarchy), connectedness (in the network analytic sense), highly powered incentives versus indulgency or conformity to prescriptions, can combine in principle in all possible ways and still generate effective and interesting forms.

Second, they suggest a shift of attention from the comparative assessment of internal versus external organization to the combination between the other attributes, as both internal and external organization seem to be able to govern knowledge sharing and development effectively, provided that they are structured as connected poliarchies with proper incentives.

Third, they suggest that internally differentiated business networks should not be thought as managed either by communities of knowledge or by 'infusions of markets' (Roberts 2004) but as a combination of mechanisms that 'differ in kind' (bureaucratic and hierarchical, communitarian and democratic, market-like and incentive-based) (Cohendet et al. 2004; Grandori and Furnari 2008). A possible task for future research is to specify

which blend of organizational practices and mechanisms should characterize international business networks and MNEs in particular.

The Ambiguous Role of Networks in the Network MNC

Mats Forsgren, Uppsala University

I will argue that in the IM literature 1) there is some confusion concerning how networks in the Network MNC are conceptualized, 2) that networks (and related concepts like social capital, shared values and social community) are largely overemphasized as a stimuli to knowledge development and transfer within the MNC and 3) that future research in the IM field should focus much more the MNC as a political arena in which network relationships reflect dispersed power structures.

The Next Generation Global Enterprise: A Speculative Look Ahead

Anil K. Gupta, University of Maryland

There are four major forces affecting the strategies and organizations of today's MNCs: (i) increasing multipolarity of the world economy, (ii) ever tighter economic integration across countries, (iii) faster obsolescence of technologies, products, services, and business models, and (iv) revolutionary developments in communications technologies. In my presentation, I'll focus on how these developments are re-shaping (might re-shape) the multinational enterprise.

Session: 2.1.1 - Interactive

Track: Track: 6 - Learning, Knowledge and Innovation

Absorptive Capacity, Learning, and Technology Diffusion

Presented On: July 2, 2008 - 09:00-10:15

Chair: Silvia Massini, University of Manchester

Defining and Measuring Absorptive Capacity in the Internationalising Firm

Vesna Sedoglavich, University of Waikato

Michèle Eunice Marie Akoorie, University of Waikato

Kathryn Pavlovich, University of Waikato

This research redefines and measures absorptive capacity (AC) using a sample of high-tech SMEs in the agro technology industry. The study develops a conceptual model for defining the construct of AC. We suggest that total AC consists of two sub-constructs, core AC (accumulated knowledge acquired in relation to R&D activities) and non-core AC, (defined as knowledge about foreign markets acquired outside the core R&D activities). The study identified variables for evaluating absorptive capacity in firms AC model, which firms can use as a self-assessment tool to help them to further develop their dynamic capabilities in the international arena. *(For more information, please contact: Vesna Sedoglavich, Waikato Management School, The University of Waikato, New Zealand: vesna@waikato.ac.nz)*

Prior Experience, Absorptive Capacity, and Real Option Value of International Investments

Sangcheol Song, The Ohio State University

Mona Makhija, The Ohio State University

Seung-hyun Lee, University of Texas at Dallas

According to real options logic, international investments (e.g. foreign direct investments) provide firms with options in the face of unexpected fluctuation of macroeconomic factors (e.g. foreign exchange rate) in domestic or foreign markets. Multinational companies with such prior investments have more courses of action available to them than domestic firms under uncertainty. In addition to the firm's option-like investments, however, the firm's capability to perceive and respond to exogenous uncertainty and future opportunities should also be taken into account to better understand its ability to derive real options value under heightened uncertainty. Differential absorptive capacity of firms leads to heterogeneous value in this regard. Absorptive capacity can be built from prior experience, which enables firms to better perceive, respond to, and manage focal uncertainty and investments. This study addresses this issue by exploring the moderating effects of firms' prior experience with uncertainty and investing on the real options value of international investments under similar and subsequent uncertainty. In doing so, it helps to enrich our understanding of real options theory by incorporating firm-specific influences. It also helps to understand how firm capability influences the real option value of specific types of investments. *(For more information, please contact: Sangcheol Song, Ohio state university, United States: song.203@osu.edu)*

Combinative Effects of Absorptive Capability and Motivation on Knowledge Transfer and Performance within the Boundary of MNCs

Byung Hee Lee, Hanyang University
Hyo Joon Kim, BMW Group Korea
Jeong-Yeon (Jay) Lee, University of Kansas

Knowledge is at the root of understanding how organizations gain and sustain competence. But firms struggle in solely creating the requisite knowledge to meet the requirements of a dynamic environment. Thus, to achieve their goals of producing flexible responses to environmental chances as well as remaining competitive, firms should acquire and exploit new knowledge, transferring such knowledge from external sources to internal knowledge banks.

The scope of analysis in this study is the knowledge transfer from headquarters and other subsidiaries in the same MNC to the focal subsidiary. Focusing on the process and effects of knowledge transfer, this study examines the causal relationships between the acceptability of external knowledge, knowledge absorptive capability and motivation, level of knowledge transfer, and firm performance.

Empirical results using data collected from foreign subsidiaries operating in South Korea found that firms with strong absorptive capability and motivation can learn and transfer more external knowledge, which can be translated into greater levels of competence and performance.

(For more information, please contact: Byung Hee Lee, Hanyang University, Korea, South: blee@hanyang.ac.kr)

Netperf: A System to Performance Measurement in Cooperative Horizontal Networks

Geanderson de Souza Lenz, University of Caxias do Sul
Peter Bent Hansen, Catholic University of Rio Grande do Sul

The environmental complexity together with the increasing competition in different industries is changing the behavior and structure of organizations. One of the alternatives to corporate sustainability, especially in micro and small enterprises, is the interorganizational arrangement in cooperative networks. Although this kind of collectivity shows opportunities, the study of its performance, and consequently, its measurement, continues scarce. Based upon this scenario, this paper discusses the proposal of a performance measurement system for cooperative horizontal networks, specifically among small enterprises in a Brazilian southern state. The system was structured upon a multitheoretical integrating approach to network studies. It was designed based on the traditional measurement systems developed for individual companies. The main factors considered reveal the need to adjust these systems in order to be applied to the networks, taking into account the typical structure of each horizontal network. The main suggestion is that the system needs to be practically applied within the studied context in order to verify its adjustments and proposals of new performance measurement bases. *(For*

more information, please contact: Geanderson de Souza Lenz, University of Caxias do Sul, Brazil: geandersonrs@terra.com.br)

Choice, Determinism, and Dealing with Inconsistency in Organizational Task Environments
Jerry Paul Sheppard, Simon Fraser University

Is strategy possible in the world of hypercompetition? The current study employed historic data to study changes in managerial choice and environmental determinism in a sample of industries over time. Industries in Incremental and Differentiated Choice quadrants were found to be the most stable, and industries in Minimum and Maximum Choice quadrants were the least stable. Support was also found for all five types of hypothesized change environments: Equilibrium, Fluctuating, Punctuated, and Disrupted Equilibriums, and Disequilibrium. There was evidence found to support the contention that organizations are more likely to seek out inter-organizational arrangements in response to highly dynamic environments. (For more information, please contact: Jerry Paul Sheppard, Simon Fraser University, Canada: sheppard@sfu.ca)

Structuring and Managing Supply Network: A Review of Current Literature and a Conceptual Framework
Ke Rong, University of Cambridge
Zheng Liu, University of Cambridge
Yongjiang Shi, University of Cambridge

The concept of supply network has extended supply chain across national borders towards globalisation. The aim of this review is to provide researchers and business practitioners a clear picture of the architecture of supply networks. By analysing two main trends of studies in the field of supply network management, components of supply network is classified into structural and infrastructural factors. Also a comparison is made to identify the difference between supply network and traditionally factory-based manufacturing system. Based on the literature review, a conceptual framework is proposed which describes the supply network from three essential perspectives: 1) Role – functional activities and firms including purchasing, manufacturing, transportation and service; 2) Relationship – the inter-organisational connection indicating coordination, power and trust; 3) Reconfiguration – the dynamic mechanism over the network which repositions the role, redesigns the internal relationship, and transforms the impact of external environment into the internal issues. After presenting detailed models and decision making areas of each perspective, key findings are summarised and suggestions are given on potential avenues for future research. (For more information, please contact: Zheng Liu, University of Cambridge, United Kingdom: ypoonsliu@yahoo.com)

Session: 2.1.2 - Interactive
Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

Cross-cultural Management and HR from a Country Perspective

Presented On: July 2, 2008 - 09:00-10:15

Chair: Klaus E. Meyer, University of Bath

The Key Commandments for Doing Business in Russia
Carl F. Fey, Stockholm School of Economics
Stanislav Shekshnia, Zest Leadership

Russia possesses many opportunities being the world's largest country in terms of territory, possessing vast natural resources, having a population of over 150 million people, having had one of the world's fastest GDP growth rates of 7.5% from 2001-2005, and having less competition in some industries than is the case in many

countries due to the economic transformation Russia is undergoing. However, Russia also has a dynamic, unique, challenging, and sometimes difficult to understand business environment that has caused problems for many foreign firms. As a result, it is risk rather than opportunity that many associate with Russia. However, the difficulty to understand Russia's business environment can also be an advantage as it serves as an entry barrier that assists those who do enter and learn how to operate effectively to reap higher returns. Based on interviews with executives from 36 foreign firms operating in Russia, this article suggests eight commandments that will enable foreign firms to avoid mistakes and skip the trial and error learning many of their predecessors have had to go through and achieve success in Russia more rapidly. Indeed, this article suggests that risks can be mitigated and Russia presents good opportunities for skillfully-designed foreign investment projects that take into account local specifics. *(For more information, please contact: Carl F. Fey, IIB, Stockholm School of Economics, Sweden: Carl.Fey@hhs.se)*

HRM Under a Transitional Context: A Review of HRM Research in China

Yunyun Chen, Peking University
Yujie Cai, Peking University
Lu Li, Peking University
Xiao Chen, Peking University
Yanqing He, Peking University
Jian Han, Peking University

This article provides a systematic review of studies on HRM in Chinese context from two main dimensions—level of analysis and number of practices—based on Wright and Boswell's (2002) framework. We summarize and integrate the status quo of research on Human Resource Management in China in five parts: job analysis, training, performance management, compensation, and strategic Human Resource Management. For each part, we review existing studies at individual level, group level and organizational level to grasp a whole picture. Limitations of current research and future directions are also discussed at the end from the perspectives of both theory and methodology. *(For more information, please contact: Yunyun Chen, Peking University, China: chenyunyun@gsm.pku.edu.cn)*

Is Centralization a Better Solution? Cases in Consumer Lending Industry

Yiyuan Liu, National Chengchi University

Using case studies and related data from three local banks, this study investigates processes from traditionally decentralized structures to centralized structures in branch banking. With division of labor between head offices and geographic dispersed branches, the structures of branch banking are, in a way, similar to those of multinational corporations. The issue of autonomy to local responsiveness and centralization to cost efficiency in the organization cannot be avoided during the process. We apply global integration-local responsiveness framework to explain the dilemma of both cost efficiency and customer satisfaction in consumer lending business. Banks finally give up centralization and realize that profits generated by satisfying customers will be always greater than those generated through cost efficiency efforts. *(For more information, please contact: Yiyuan Liu, National Cheng-Chi University, Taiwan, R.O.C.: 93355511@nccu.edu.tw)*

A Grounded Theory of the Emergence of Leadership: Gandhi in South Africa

C Lakshman, Tata Management Training Centre

This paper develops a grounded theory of leadership from a study of Gandhi's life in South Africa. Qualitative approaches to development of leadership theories can contribute to the vast leadership literature. The vast leadership literature has taken four different approaches to studying the phenomenon of leadership. The trait approach, the behavioral approach, the contingency approach, and the charismatic approach are the four broad approaches that have guided research on leadership. All these approaches seem to address the question of

why some people are more effective leaders than others. Each of these approaches is described here briefly. The core research question that is dealt with here is different from the basic question addressed by the four approaches mentioned above. The question of interest in this paper is not why some people are more effective leaders than others. The research question here is how do people emerge over time as leaders. In other words, the process through which ordinary people become leaders is the major issue of interest in this study. The stress here is on generation of a theory of the emergence of leaders over a period of time and not on verification of any particular theory. *(For more information, please contact: C Lakshman, Tata Management Training Centre, India: clakshman2003@yahoo.com)*

Factor Structure of MLQ and Their Impact on Commitment through LMX: A Structural Equation Model in China Context

Jean SK Lee, China Europe International Business School
Feng Wei, China Europe International Business School

The Multifactor Leadership Questionnaire (MLQ) is often used to measure transformational, transactional and laissez-faire leadership. This study aims to test the factor structure of the MLQ as developed by Bass and Avolio (1989) and their effect on subordinates' organizational commitment mediated by leader-member exchange (LMX). 676 employees of 144 groups in 6 organizations rated their leader's behavior with the MLQ. The results of confirmatory factor analyses show that two types of leadership are found in the data: active constructive leadership (ACL) and passive corrective leadership (PCL). ACL includes transformational leadership, contingent reward leadership and active management-by-exception leadership, PCL includes passive management-by-exception leadership and laissez-faire leadership. Followers' organizational commitment level is found positively related to ACL and LMX, and negatively related to PCL. The structure equation model shows that the impact of leadership on followers' organizational commitment is through the mediating function of LMX. *(For more information, please contact: Jean SK Lee, China Europe International Business School, China: jeanlee@ceibs.edu)*

Managing Diversified Organizations: A Comparison between Korean Chaebols and Large U.S. Firms

Ji-Hwan Lee, Korea Advanced Institute of Science and Technology

Based on theoretical considerations, this study investigates the organizational mechanisms through which diversified firms are effectively managed without loss of control. Empirical results based on samples from Korea and the U.S. show that structural mechanisms such as strategic control and contingency arrangements were not so significantly associated with divisional performance, whereas socio-cultural mechanisms such as shared values and corporate-level training, were significantly and positively associated. In addition, Korean chaebols appear to have leveraged socio-cultural mechanisms better than large U.S. firms, and thus, have had an advantage in continuing to diversify. *(For more information, please contact: Ji-Hwan Lee, Korea Advanced Institute of Science and Technology, Korea, South: jihwanlee@business.kaist.ac.kr)*

Chinese Consumer Values: The 'Romantic Reappraisal'

Michael Brian Griffiths, University of Leeds
Malcolm Chapman, University of Leeds
Flemming Christiansen, University of Leeds

This paper draws upon empirical evidence collected through fieldwork in Anshan City, Liaoning Province, the People's Republic of China, of new forms of consumption that indicate a paradigm shift in discourse, an epoch-making change in Chinese consumer values. We report on the commodification and rapid proliferation of idyllicized representations of rural lifestyles, a trend that runs precisely counter to the dominant trajectory of China's entire symbolic infrastructure, which is geared explicitly towards economic development and urbanisation. Changes to an institutionalised discourse that has long privileged the urban sphere at the expense

of the rural are afoot. The paper seeks to offer a challenging reading of the direction China is going by arguing for a reversal of signifiers that may have enormous social, cultural, economic and environmental ramifications. Specifically, we unify congruent evidence under a theory of the 'romantic reappraisal of Chinese consumer values' drawing upon the reappraisal in values ascribed to the 'romantic period' which followed the industrial revolution in Britain and Western Europe in the late 18th century. Critical analysis of similarities and differences with this earlier shift in values are explored as we refine our theory. The theoretical heritage for this research lies in social anthropology. *(For more information, please contact: Michael Brian Griffiths, University of Leeds, United Kingdom: mbgriffiths@gmail.com)*

Motivation and Goal Orientation: The Implications of National Culture and Context
Reccia Natasha Charles, St. George's University

This study explores the relationship of culture and context to motivation goal orientation and by extension job satisfaction. Work motivation and goal orientation have been examined extensively in the developed world. However, studies that address the relationship of culture and context to work motivation and goal orientation prove to be rare. There has been very little multi-level research that links national culture and context to motivation and goal orientation, while examining cross-cultural (national) differences in motivation. The purpose of this study is to conduct a multi-level analysis of the impact of culture/context on motivation and goal orientation using one company from three of the Caribbean islands, namely Grenada, St. Vincent & the Grenadines and St. Lucia.

A study of this nature can provide timely and valuable data on motivation and goal orientation. It can provide answers to questions such as: Is there a difference in motivation as it relates to national culture? Is there a difference in motivation as it relates to national context? The answers to these questions will assist regional and international businesses in the successful management of their human resources. *(For more information, please contact: Reccia Natasha Charles, St. George's University, Grenada: rcharles1@sgu.edu)*

Session: 2.1.3 - Interactive
Track: Track: 7 - FDI, Location, Firm-Location Interaction

Pushing Theoretical Boundaries FDI and the MNE

Presented On: July 2, 2008 - 09:00-10:15

Chair: Kiyohiko Ito, University of Hawaii at Manoa

Cognition, Managers and Internationalization: The puzzle without the puzzler
Elizabeth Maitland, University of New South Wales

How do managers interpret and understand foreign environments? Decision-makers are bombarded by information. They sort, discard, cling to heuristics, and attempt to frame choices. Expansion of the firm's activities across national boundaries increases the uncertainty attached to decision-making and increases the probability that errors will arise. Strategic management and decision sciences research has established that managers use mental models to filter and provide structure to information from the external environment. Yet, standard models of internationalization do not incorporate the role of managerial mental models into the strategic decision to expand the firm's/organization's operations. The paper introduces a cognitive decision-making model of internationalization, building from the individual manager to the management team and the MNE to develop a series of research propositions. We also outline proposals for future research and suggestions for how internationalization research can contribute to the fields of managerial cognition and decision sciences. *(For more information, please contact: Elizabeth Maitland, University of New South Wales, Australia: e.maitland@unsw.edu.au)*

Dissecting Internal Liability of Foreignness: Can taking an Agency Perspective Help?

Mikelle Calhoun, The Ohio State University

This paper takes a unique approach to evaluation of the international business problem of liability of foreignness ("LOF"). Though a fairly new avenue of international business research, much has been learned about LOF. Researchers have confirmed the existence of LOF and have dissected many firm-level issues related to LOF. Yet, LOF is not a phenomena only occurring at the firm level. When the foreign firm hires host country nationals, problems typically associated with LOF manifest internally at the individual level ("internal LOF"). Though the conceptual framework of LOF is sufficiently rich to cover both internal and firm-level external LOF, firm-level literature provides little guidance for deeper exploration of internal LOF. Dissection of LOF at the individual level needs a new approach. In this paper, internal LOF is considered as an agency problem, which allows for deeper analysis and understanding. The internal LOF problems are more easily dissected and prior literature regarding agency solutions is even instructive concerning possible mitigation tactics for internal LOF. Ultimately, this paper expands our understanding of LOF by considering both what influences the level of LOF felt within any single firm and how agency solutions may affect internal LOF. *(For more information, please contact: Mikelle Calhoun, The Ohio State University, United States: calhoun_88@fisher.osu.edu)*

*Mapping Foreign Direct Investment in UK Regions: The Role of Environmental Determinism and Dynamism*Fragkiskos Filippaios, London School of Economics
Constantina Kottaridi, University of Peloponnese

Foreign Direct Investment (FDI) and its agents, i.e. Multinational Corporations (MNCs), are understood to play a major role in the economic development of nations through their impact on trade and their ability to generate jobs and to produce new knowledge through technological and managerial advances (UNCTC, 2003). This article maps economic activities of MNCs in United Kingdom and presents an empirical formulation of investors' decision-making. A McFadden's conditional logit model was incorporated to test for the model's predictions, based on location decisions of 6348 plants in UK's counties for 2004. Estimation results suggest that firms' choices can be modelled in terms of economic factors prevailing locally. *(For more information, please contact: Constantina Kottaridi, University of Peloponnese, School of Management and Economics, Greece: kottarid@uop.gr)*

*Towards A Conceptual Framework for More Fine-grained Analyses of FDI Locations: An Illustrative Empirical Analysis of FDI Distribution within China during 2000-06*Deepak Sethi, Old Dominion University
William Q. Judge, Old Dominion University
Qian Sun, Old Dominion University

Previous literature has analyzed FDI location decisions mostly at the country level despite considerable intra-country differences. Further, extant literature examines the various factors involved piecemeal, without adequately synthesizing different perspectives. A holistic conceptual framework is needed to evaluate potential FDI locations within a country based on the unique requirements of different industries, also integrating the host government's FDI incentives. We present such a framework, and illustrate its usefulness by empirically analyzing FDI trends within the 31 provinces of China. Our integrative perspective is supported by our empirical results, and offers practitioners a more holistic approach to FDI location decisions. *(For more information, please contact: Deepak Sethi, Old Dominion University, United States: dsethi@odu.edu)*

An Empirical Study of Service Sector Clustering and Multinational Enterprises

Naresh Pandit, University of East Anglia
 Gary Cook, University of Liverpool
 Jonathan Beaverstock, Nottingham University
 Pervez N. Ghauri, King's College London

This paper examines the small but growing literature that offers explanations for multinational enterprise (MNE) location in geographical business clusters. It tests some of the propositions of this literature against the findings of a study which compares MNEs and non-MNEs regarding the advantages and disadvantages of a location in the City of London financial services cluster, an agglomeration noted for its extraordinarily large MNE component. The primary conclusion is that MNEs and non-MNEs have different and multiple motives for locating in the cluster. There are two business policy recommendations. For MNEs that are cluster incumbents, because strong clusters have disadvantages (high expense and congestion) and because advantages can change over time, they need to continually assess which activities they need to locate in a cluster and which can be elsewhere. The second recommendation is that for MNEs that are not located in relevant clusters, clusters may provide advantages over and above those available to non-MNE competitors. *(For more information, please contact: Naresh Pandit, University of East Anglia, United Kingdom: n.pandit@uea.ac.uk)*

The Relationship between Multinationality and Performance of Japanese Service Firms

Nobuaki Endo, Tokyo University of Marine Science and Technology
 Toshiya Ozaki, Rikkyo University

The paper examines the relationship between multinationality and performance of Japanese service firms. The paper tests the hypothesis that the impact of multinationality on performance for service firms depends upon the stage of the multinationality; the negative relationship may be observed in the early and the final stages of multinationality while the positive one may be observed in the middle stage. The hypothesis has been extensively examined in the manufacturing sector but rarely so in the services sector. Studies on Japanese service firms have been even fewer. We estimate the three regression equations based upon liner model, quadratic model and cubic model with the data set of Japanese firms between 2004 and 2006. The empirical result demonstrates the negative relationship in the liner model and the U-shaped relationship in the curvilinear model. In the cubic model, while the so-called horizontal S-curve relationship is observed, it is not statistically significant. These results may imply that multinationality of service firms may accompany net costs in the first stage and that net benefits are identified once the first stage is over. *(For more information, please contact: Nobuaki Endo, Tokyo University of Marine Science and Technology, Japan: nendo@kaiyodai.ac.jp)*

Resource Bundles and MNEs' Multinationality: An Empirical Test

Huanglin Wang, University of Western Ontario

Research from the resource-based view has been focused on individual resources while neglecting resource bundles. However, resource bundles are more likely to provide firms with sustainable competitive advantage than individual resources. This study takes a lead in this regard and empirically tests the effects of two specific resource bundles on MNEs' international expansion. Our data show that both resource bundles, a combination of technology knowledge and international experience and a combination of marketing knowledge and international experience, have positive impact on multinationality. Further, the combined effect of these two resource bundles is greater than those of the individual resources. *(For more information, please contact: Huanglin Wang, Ivey, Canada: hwang@ivey.uwo.ca)*

Configuration of Airlines Value Activities

Dirk Holtbrügge, University of Erlangen-Nuremberg
 Katja Wiedemann, University of Erlangen-Nuremberg
 Karen Schäfer, University of Erlangen-Nuremberg

The aim of the study is to examine to what extent Porter's value chain concept, originally developed for manufacturing firms as well as his model of cross-border configuration of value activities can be transferred to airlines. The study is based on an extensive literature research and on nine semi-structured inter-views with high-ranking managers of companies of the airline industry. In our study we adapted the value chain concept of Porter to airlines and explored how their value activities are configured across national borders. The study shows that contrary to the argumentation of Porter, most value activities are decentral-ized and geographically dispersed, because most activities are country-specific or destination-dependent. *(For more information, please contact: Katja Wiedemann, University of Erlangen-Nuremberg/Department of International Management, Germany: katja.wiedemann@wiso.uni-erlangen.de)*

Session: 2.1.4 - Interactive**Track: Track: 3 - Alliances and Inter-Firm Relationships*****New Perspectives on Alliances***

Presented On: July 2, 2008 - 09:00-10:15

Chair: Farok Contractor, Rutgers University

Overcoming Cultural Barriers in Alliances

Tolulope Bewaji, Temple University
 Keith D. Brouthers, King's College London
 Lance Eliot Brouthers, University of Texas at El Paso
 George Nakos, Clayton State University

Although alliances are a popular form of international expansion they often are not successful. In this paper we use socialization and conflict management theories to explain how firms might create better performing alliance. We posit that parent firms that implement proven socialization and conflict management mechanisms once an alliance has been formed will create more successful alliances compared to firms that do not concentrate on these post-formation activities. *(For more information, please contact: Keith D. Brouthers, Kings College London, United Kingdom: keith.brouthers@kcl.ac.uk)*

Interorganizational Cooperation and our Manifest Destiny: An Evolutionary Perspective

Farok Contractor, Rutgers University

The largest business unit is no longer the multinational corporation, but rather, cooperating networks of globally connected organizations and firms. The principal focus of this article is to identify trends, which have come to a head in the last two decades in the world economy, that have fostered interorganizational cooperation on an unprecedented scale. The technological, political, spatial and cultural complexities of global operations are becoming simply too great in many areas to be encompassed by a single company or agency. It is impossible to build a technologically complex global civilization without inter-organizational cooperation, any more than a multi-cellular organism could survive without cooperation between its distinct but specialized constituents. The article briefly reviews the evolutionary basis for cooperation, describes recent economic forces that have shaped interorganizational cooperation, and describes why planetary economic cooperation is our "manifest destiny." *(For more information, please contact: Farok Contractor, Rutgers University, United States: farok@andromeda.rutgers.edu)*

Parent Control Dynamics and International Joint Venture Performance
Le Huu Nguyen, University of Vaasa

In this paper we develop a model of international joint venture (IJV) control in relation to IJV performance during IJV life cycle. Following Geringer and Hebert (1989); Buckley, Glaister, and Huan (2005), we conceptualized foreign parent control across three dimensions including mechanism, focus, and extent. IJV life cycle is divided into two stage formation stage and post formation stage. Our empirical evidence is based on the survey of Finnish firms that have established IJVs with local firms in the 1990s. The result shows that there is no optimal choice of IJV controls which is stable over time. In the formation stage of IJV life cycle, formal, broad, and tight control exercised by foreign parent firms lead to better IJV performance. However, control of IJVs needs to be re-adjusted during IJV life cycle accordance to IJV performance. In the post formation stage of IJV life cycle, foreign parent firms who adopted control dynamic approach will have better IJV performance. In addition, we conclude that the relationship between parent control and IJV performance is not just one way direction but rather reciprocal. Finally, we conclude the paper by discussing the implications of our findings and directions for further research. *(For more information, please contact: Le Huu Nguyen, Marketing Department, University of Vaasa, Finland: nhl@uwasa.fi)*

Transaction Costs, Transaction Value and the MNE Governance Structure
Peter Hwang, National University of Singapore
Ajai S Gaur, Old Dominion University

We argue that multinational enterprises (MNEs) not only strive to minimize transaction costs but also attempt to maximize transaction values when interacting with local firms in foreign markets. We put forth our thesis for the MNE governance structure, contingent on the institutional environment of the host country and the characteristics of the transaction. Specifically, we suggest that MNEs' choice between market, hierarchy or hybrid (joint ventures) form of governance depends on the interplay between the costs and the benefits or a transaction relationship. For high knowledge content products/services, MNEs choose hierarchy when institutional environment is not well developed. As institutional environment develops more, hybrid replaces hierarchy. However, in very strong institutional environment hierarchy again turns out to be optimal for MNEs. For low or no knowledge content products/services, the presence of market is possible in very advanced institutional environment. *(For more information, please contact: Ajai S Gaur, Old Dominion University, United States: agaur@odu.edu)*

Making Sense of Alliance Capability - A Classification Framework and Avenues for Further Research
Barbara E. Pramboeck, Vienna University of Economics and Business Administration
Bodo B. Schlegelmilch, Vienna University of Economics and Business Administration

It is now widely accepted in the alliance literature that some firms, independent of their alliance partners, are more successful in creating and managing alliances than others. This alliance capability is said to be a major driver of alliance performance and competitive advantage. Consequently, the construct of alliance capability is now receiving considerable attention in the literature. But although substantial progress has been made in the field, the construct remains vague and there is no agreement on the conceptualization of such a capability. A plethora of terms and definitions lead to confusion and fragmentation that complicate systematic future research. This paper offers a thorough review of the extant literature on this topic and suggests a classification framework aimed at clarifying the very diverse terms and conceptualizations found in existing alliance capability studies. Based on this framework, research gaps are identified and avenues for future research are charted. *(For more information, please contact: Barbara E. Pramboeck, Vienna University of Economics & Business Administration, Austria: barbara.pramboeck@wu-wien.ac.at)*

The Impact of Past Alliance Experience on Future Alliance Extension: An Empirical Investigation

Sairah Hussain, National University of Singapore
 Nitin Pangarkar, National University of Singapore

This paper examines how experience levels of the partners (prior to the formation of the focal alliance as well as when the alliance is in progress), impact alliance outcomes, specifically the likelihood of alliance extension or expansion. We use organizational learning perspective and transaction costs theory to develop our two hypotheses. Using the organizational learning perspective, we argue that pre-formation alliance experience will increase the likelihood of expansion/extension. Using the transaction costs perspective, we predict that greater post formation alliance experience will reduce the likelihood of alliance expansion/ extension. We used the case-control methodology to select a sample of 102 alliances in the global Biotechnology industry, consisting of 51 alliances that had been extended and 51 alliances that had not. We conducted a logistic regression analysis to test the hypotheses in a multivariate setting. *(For more information, please contact: Sairah Hussain, National University of Singapore, Singapore: g0600393@nus.edu.sg)*

Revisiting the Debate: Assessing the Impact of Trust and Control and Understanding on Interorganizational Performance

Paul Vlaar, VU University Amsterdam
 Elko Klijn, RSM Erasmus University

Literature on interorganizational collaboration emphasizes trust and control as important determinants of collaborative performance. Although authors joining the ensuing debate have recurrently touched upon understanding as a precursor and consequence of both constructs, the concept of understanding between partners remains under-researched. We therefore investigate how a focal organization's understanding of its partner(s) and the alliance – deriving from compatibility between the partners, negotiations and information processing – influences interorganizational performance. By analyzing unique survey data on 76 international joint ventures involving European partners, we show that trust and control have only weak relationships with interorganizational performance, which even become insignificant when the construct of understanding is introduced in the analysis. Moreover, including understanding in the equation more than doubles the explanatory power of our model. These findings contribute to the literature as they provide preliminary empirical support for incorporating the concept of understanding in research on interorganizational collaboration. They urge researchers and practitioners to pay more attention to the processes that help managers in collaborative relationships to advance their understandings, such as partner selection, negotiation and continuous information processing. *(For more information, please contact: Elko Klijn, RSM Erasmus University, Netherlands: eklijn@rsm.nl)*

How Tight an Embrace? Choosing the Optimal Degree of Partner Interaction in Alliances Based on Risk, Technology Characteristics, and Agreement Provisions

Farok Contractor, Rutgers University
 James Arthur Woodley, Ramapo College

This study addresses a key question in alliance negotiations: "How tight or loose a relationship do we wish to have with our partner?" Interaction with one's partner is necessary to realize the benefits of alliances. But too high a degree of interaction between the allies can increase coordination costs, and increases the chances of unintended technology leakage. The sample comprised 88 international alliances entailing technology transfers. The study regresses a five point dependent variable tracking rising levels of interaction between the partners, against explanatory variables drawn from (1) Technology characteristics and future technology policy, (2) Coordination costs and risks, (3) Agreement provisions, and (4) Firm and Sector Characteristics, in order to answer the question "What is the optimum level of inter-partner interaction?" *(For more information, please contact: James Arthur Woodley, Ramapo College, United States: jwoodley@ramapo.edu)*

Session: 2.1.5 - Interactive

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

Emerging Themes In IHRM and Cross-Cultural Management

Presented On: July 2, 2008 - 09:00-10:15

Chair: Niina Nummela, Turku School of Economics

The Effects of Human Resource Capabilities on Internal Customer Satisfaction and Organizational Effectiveness

Wan-Jing Chang, National Hsinchu University of Education

Tung-Chun Huang, National Central University

This study examined the link between human resource capabilities and organizational effectiveness, as well as the mediating role of internal customer satisfaction. It drew on data from two different groups: HR managers and line managers. The results showed that some HR capabilities appear to be linked to the organizational effectiveness; however, internal customer satisfaction plays the important intervening role in between. These finding revealed the importance of internal customers in enhancing employee morale, organizational commitment, employee productivity, turnover rate and organization capability to attract talents. Finally, the managerial implications are also discussed. *(For more information, please contact: Tung-Chon Huang, National Central University, Taiwan, R.O.C.: tch@mgt.ncu.edu.tw)*

Development of the Cultural Intelligence Assessment

David C. Thomas, Simon Fraser University

Guenter Stahl, INSEAD

Elizabeth C. Ravlin, University of South Carolina

Steven Poelmans, IESE Business School

Andre Pekerti, University of Queensland

Martha L. Maznevski, IMD

Mila B. Lazarova, Simon Fraser University

Efrat Elron, Truman Institute for the Advancement of Peace

Bjørn Zakarias Ekelund, Human Factors AS / University of Agder

Jean-Luc Cerdin, ESSEC Business School

Richard Brislin, University of Hawaii

Zeynep Aycan, Koc University

Kevin Au, The Chinese University of Hong Kong

The construct of cultural intelligence has recently been introduced to the management literature as an individual difference that may predict effectiveness and a variety of interpersonal behavior in the global business environment. This construct has enormous potential in helping to explain effectiveness in cross-cultural interactions. However, at present, no generally accepted operationalization of this nascent construct exists. In this paper, based on our conceptualization of cultural intelligence, we describe the development and preliminary validation of a web-based assessment of cultural intelligence. *(For more information, please contact: David C. Thomas, Simon Fraser University, Canada: dcthomas@sfu.ca)*

Adopting an Employee-Centered Methodology in SHRM Research: Perceptions Relating to the Existence of High-Performance Work Systems, Organizational Commitment, and the Role of Demographic Features in China

Kun Qiao, Dalian University of Technology
 Shaista E. Khilji, George Washington University
 Xiaoyun Wang, University of Manitoba

The present study is an attempt to overcome methodological deficiencies in strategic HRM research that is restricted to organizational-level analysis regarding the absence or presence of a certain HR practice, the use of single-respondent data, and the views of HR managers or decision makers. We adopted a multiple-respondent strategy in order to lay the foundation for employee-centered high-performance work systems (HPWS) evidence. Because HPWS have gained popularity among multinational, private, and state-owned enterprises in China, we investigated Chinese employees' experiences with HPWS and tested the impact of HPWS on their organizational commitment. Several demographic variables were also explored in order to develop an employee-centered perspective. Survey results based upon 1176 responses in 6 manufacturing firms in two Chinese cities revealed that organizational commitment correlates with a higher perception of HPWS existence. The demographic characteristics of age, marital status, and education, but not gender, correlated significantly with organizational commitment. However, gender and marital status were found to moderate the relationship between perceptions of the existence of HPWS and organizational commitment, in that male and unmarried Chinese employees were significantly more affected by the existence of HR practices than female and married employees. Managerial and research implications of these findings are discussed. *(For more information, please contact: Xiaoyun Wang, University of Manitoba, Canada: xiaoyun_wang@umanitoba.ca)*

Top Management Control and Performance in Joint Ventures: An Agency Theoretic Approach

Wei Yang, Otto-von-Guericke University Magdeburg
 Edward J. Lusk, State University of New York (SUNY) and University of Pennsylvania

Most previous research on joint venture (JV) control has focused on partner control so as to withhold the counter party's behavior and protect its own interests. Our research, reported here, emphasizes control aspects of the top manager's behavior. Specifically, we suggest how the JV parent(s) can utilize top management related control mechanisms to mitigate against the manager's opportunistic behavior as predicted by agency theory. *(For more information, please contact: Wei Yang, Otto-von-Guericke University Magdeburg, Germany: wei.yang@student.uni-magdeburg.de)*

Managerial Factor as Determinant of Export Behaviour of SMEs: A Case-based Research

Maria-Cristina Stoian, Autonomous University of Barcelona
 Alex Rialp-Criado, Autonomous University of Barcelona

Decision maker's role in the international activity is crucial, particularly in the case of SMEs. However, the extant literature on internationalisation is characterized by a lack of consensus among scholars as to what constitutes the managerial factor in determining exporting. Therefore, this study focuses on the following issue: Which are the decision maker's characteristics and perceptions that may influence the export behaviour of Spanish SMEs? To address this question a multiple case study method is applied across four Spanish exporting SMEs. The findings show that high educational level, foreign language skills, high risk tolerance, innovativeness as well as strongly perceived export stimuli as compared to low/easy to overcome export barriers positively influence the export involvement and development of SMEs. The study provides further insights into the research topic by jointly studying managerial characteristics and perceptions. Additionally, the majority of research on exporting topics has been carried out in the Anglo-Saxon context, revealing a clear need of further investigation in other countries, moreover in Spain where the exporting activities have not been as widely studied. *(For more information, please contact: Alex Rialp-Criado, Autonomous University of Barcelona, Spain: Alex.Rialp@uab.cat)*

Localization, Country Difference, and Subsidiary Performance of the MNCs: A Knowledge-based View

Shengsheng Huang, Rutgers University

Geng Cui, Lingnan University

Guohua Jiang, Hebei University of Economics and Business

Most of the previous research about the management localization –substituting the expatriate managers with qualified locals –is focused on the headquarter-subsidiary relationship or the internal efficiency issues. The impact of management localization on the relationship between the subsidiaries and local environment has received little attention. From the knowledge-based view, the present paper proposes that management localization of the TMT may weaken headquarter-subsidiary ties and, however, in a culturally distant environment, the management localization can overcome the disadvantages due to the knowledge mismatch of the TMT. Adopting different measures of performance and cultural distance, we received strong support for the moderating effect of localization on cultural distance-performance relationship and partial support for direct effects of localization and cultural distance on performance using data from MNC subsidiaries from China. *(For more information, please contact: Shengsheng Huang, Rutgers University, United States: huangss@pegasus.rutgers.edu)*

The Development of an Individual-Level Institutional Distance Measure to Predict Strain Instigated by an International Business Trip

Jase Ramsey, Fundacao Dom Cabral

International business travel is especially vexing due to the high demand on being able to adjust to a foreign culture. Additionally, the air travel climate post 9/11 has increased travel strain. The expatriate adjustment literature shows that the distance between the home country and the host country affects the ease of which an expatriate can adjust. Reviewing the cultural novelty literature reveals that there is a dearth of research on travel adjustment to international destinations. Although extensive research has been done on expatriate adjustment, very little pragmatic research has been put forth on the much shorter-term nature of international business travel. This study uses institutional and stress theories to examine the institutional effects on both job and travel strain. Specifically, institutional distance increases both job and travel strain. Subjects will be international business travelers departing from a major U.S. airport. *(For more information, please contact: Jase Ramsey, Fundacao Dom Cabral, Brazil: jaseramsey@gmail.com)*

Expatriates as Critical Resources in Subsidiary Evolution

Suhaib Riaz, University of Western Ontario

In this study, I investigate patterns of expatriate deployment over time, the multi-level conditions that impact these patterns, and the impact of these deployment patterns on subsidiary performance and growth. I draw upon and contribute to fundamental arguments in current resource-based analysis, including the role of key employees in resource and capability development, changes in resource combinations over time, and the link between changes in resource combinations and strategic outcomes at the level of the focal organizational entity. I also develop theoretical arguments for the treatment of resources originating at the parent MNE level and deployed in the host country competitive environment by considering the case of expatriates. I provide preliminary tests of my key arguments using Latent Curve Modeling, and build the case for the opportunities of using this method in understanding the development of heterogeneous bundles of resources and capabilities over time. *(For more information, please contact: Suhaib Riaz, Ivey, University of Western Ontario, Canada: sriaz@ivey.ca)*

Session: 2.1.6 - Interactive

Track: Track: 9 - Internationalization and Intl. Marketing

Born Globals and SME Internationalization

Presented On: July 2, 2008 - 09:00-10:15

Chair: Michael R. Czinkota, Georgetown University

How Boards of Directors Facilitate Internationalization of Born Globals in a Newly Industrialized Economy: A Resource Dependence Perspective

Chwo-Ming Joseph Yu, National Chengchi University

Shu-Woan Tseng, National Chengchi University

Anthony Kuo, National Chengchi University

Born globals are increasingly active in international markets. Studies of firm internationalization have focused more on large and well-established firms and the derived stage model of internationalization is challenged by the born global phenomenon. In this paper, by using exploratory case studies, we extend the resource dependence perspective to investigate how boards of directors can facilitate the internationalization of born globals located in a newly industrialized economy (i.e., Taiwan). In addition to identifying the types of resources provided by board members, the findings also support the notion that inside and outside board members can provide resources conducive to the internationalization of born globals. *(For more information, please contact: Chwo-Ming Joseph Yu, National Chengchi University, Taiwan, R.O.C.: yu54@nccu.edu.tw)*

Developing Competencies for International Entrepreneurship: The Role of a Global Mindset

Olga Muzychenko, University of Adelaide

Tatiana Zalan, University of South Australia

Sam Wells, University of Adelaide

Exploring the cognitive mechanisms of entrepreneurs has been a useful approach to understanding the entrepreneurship phenomenon. The research that looks at the cognitive aspects of international entrepreneurship is, however, scarce. In this paper we position the concept of global mindset within the field of international entrepreneurship. Developing a global mindset means acquiring a set of specific competencies. The purpose of this paper is two-fold: (1) to demonstrate how these competencies are related to the process of successful international entrepreneurship and (2) to suggest the global mindset competencies that should be focused on in training and education for international entrepreneurship. Based on the available evidence regarding what constitutes a global mindset in entrepreneurs and which mindset-related competencies are trainable rather than innate, we discuss how these competencies can be taught as part of the entrepreneurship education curriculum. *(For more information, please contact: Tatiana Zalan, IGSB, University of South Australia, Australia: tatiana.zalan@unisa.edu.au)*

Collective Internationalization Processes of Small and Medium Sized Enterprises from China

Hans Jansson, University of Kalmar

Mikael Hilmersson, University of Kalmar/Baltic Business School

Susanne Sandberg, University of Kalmar/Baltic Business School

Research on the internationalization of Chinese firms - mostly on large companies - shows that these firms tend to behave as expected based on internationalization process theory. More recent research on the internationalization of Chinese SMEs, on the other hand, indicates another pattern, where firms have a more group oriented behaviour. Such collective internationalization processes are described in this article and related

to traditional internationalization theory of the individual firm. The purpose is to describe and explain a most recent phenomenon, namely investments of Chinese SMEs in European wholesale and retail markets. Since most of these establishments are still in the planning or build-up stage, existing investments of this type have mainly been studied, viz. market platforms in Poland, Hungary and Sweden, which are compared to similar market clusters in Dubai, and China. As a background, an overview is given of the internationalization of Chinese firms. *(For more information, please contact: Hans Jansson, University of Kalmar, Sweden: hans.jansson@hik.se)*

The Internationalization Process of Small- and Medium-sized Enterprises in Emerging Economies
Christian Keen, McGill University

SMEs are a vital part of the economic system of both emerging and developed countries. Given the fact that markets, and not only firms, are becoming internationalized, it is imperative for SMEs to become internationally-competitive even in their local markets. Therefore, internationalization cannot only be based on tangible aspects but it is imperative to consider intangible aspects. This paper offers a conceptual tool to understand how SMEs can successfully face international competition by expanding the concept of internationalization and taking into consideration the unique characteristics of emerging economies. *(For more information, please contact: Christian Keen, McGill University, Canada: christian.keen@mcgill.ca)*

How to Go International? Internationalisation Patterns of Small Resource-Poor Firms in New Zealand
Sabina Jaeger, AUT University

The purpose of this paper is to examine the internationalisation behaviour of small resource-poor firms. More specifically the paper investigates the strategies which fifty firms employ in order to gain sufficient knowledge and internationalise successfully in spite of severe resource constraints. The question is do they follow the classical models in the internationalisation process? Cases of fifty New Zealand export companies are examined which were compiled using data triangulation. The study is cross sectoral and includes firms from the manufacturing, primary industry and service sector. The findings suggest that internationalisation behaviour is determined through export barriers. The situation of severe resource constraints, large geographic distance from international markets, and a limited production base needs to be taken into account in the design of the strategies in order not to let the obstacles impact on export performance. The results indicate that successful companies follow an internationalisation pathway by building their strategies creatively around their core competencies in what is described as a 'bricolage' approach. The classical internationalisation models support certain aspects of the observed processes towards internationalisation but on their own they cannot fully explain the firms' exhibited behaviour pattern. *(For more information, please contact: Sabina Jaeger, AUT University, New Zealand: sabina.jaeger@aut.ac.nz)*

Export Performance and Managerial Capabilities in German SMEs
Manfred Fuchs, University of Graz
Phillipp Kruse, University of Graz

The main purpose of this paper is to investigate the relations between different managerial basic resources and the impact of managerial export capabilities on export performance within SMEs' internationalization. Drawing on the resource-based view, the authors develop a model that links basic resources and capabilities (i.e., financial resources, management know-how) to different dynamic managerial export capabilities (market orientation capability, organizational flexibility, innovation capability, reputation capability), which directly impact export performance. Questionnaire data obtained from 146 German SMEs was used to test our model. *(For more information, please contact: Manfred Fuchs, University of Graz, Austria: manfred.fuchs@uni-graz.at)*

Re-considering the Micro-foundations of Export Support Services for Small Firms: Barriers to Internationalisation from the Perspective of Support Services Providers

Antonella Zucchella, Università degli Studi di Pavia

Alberto Brugnoli, Istituto regionale di Ricerca della Lombardia

Antonio Dal Bianco, Istituto regionale di Ricerca della Lombardia

The internationalisation process of small firms is subject to a number of constraints and bottlenecks. Academics and research institutions have devoted special attention to the issue of barriers to exporting for SMEs. Studies on export barriers for SMEs have been usually approached from the perspective of the firm, but they rarely took into consideration the perspective of support services providers.

This contribution addresses the above mentioned research gaps, focusing on the following issues:

- the typologies of barrier to small firms' internationalisation and their relative importance in the perspective of service providers, which is complementary to the one of small firms and may throw new light on these issues;
- the role of support services in addressing these barriers and the potential synergies among different support services.

This contribution offers a theoretical analysis -based on the existing literature- about the obstacles to an effective international growth for small firms, followed by an analysis of services and programs supporting SMEs in these processes and finally proposes an empirical section, based on case studies and qualitative information from in depth interviews to a group of private and public internationalisation services providers. *(For more information, please contact: Antonio Dal Bianco, Istituto regionale di ricerca della Lombardia, Italy: dalbianco@irer.it)*

Serial Entrepreneurship and Born-global New-ventures: A Case Study

Manuela Presutti, Università Bologna

Vincenza Odorici, Università Bologna

Alberto Onetti, Insubria State University

This paper bases on an international entrepreneurship (IE) approach in discussing the topic concerning born global start-ups. In particular, we study the born multinational start-ups – as a sophisticated kind of a global business - focusing on the natural born entrepreneurs. In fact, the lack of a long organizational learning process within international markets by a born-global start-up does not exclude that this process may occur at the individual – entrepreneur - level. This paper reports on findings of a detailed longitudinal study at one born multinational start-up, Funambol, founded by a serial entrepreneur. Our main aim is to investigate this research problem at one specific entrepreneurial context and than to develop a potential interpretative framework for testing at subsequent contexts of analysis. Our point of departure is to consider that a serial entrepreneur tends to learn mainly through “learning by doing” since his knowledge acquisition is experientially based by direct experience and observation. Consequently, the proposed learning perspective of entrepreneurship in this paper is based on a dynamic approach, since we intend to put in evidence the difference between entrepreneurial experiences in sè and the knowledge acquired by these entrepreneurial experiences. *(For more information, please contact: Manuela Presutti, University of Bologna, Italy: manuela.presutti@unibo.it)*

Session: 2.1.7 - Interactive

Track: Track: 10 - Outsourcing, Offshoring, Supply Chain

Drivers and Effects of Offshoring

Presented On: July 2, 2008 - 09:00-10:15

Chair: Jonathan Doh, Villanova University

The Influence of Firm Resources and Anticipated Rivalry on Firm Performance: An Examination of International Outsourcing Providers

Somnath Lahiri, Illinois State University

Ben L. Kedia, University of Memphis

This study examines the impact of firm resources and anticipated rivalry on the overall performance of firms. Building on the tenets of resource-based view and industrial organizational economics, and utilizing a sample of firms in the Indian Business Process outsourcing industry, this paper suggests that a firm's key resources (human capital and organizational capital) influences overall firm performance positively, and anticipated intra-industry rivalry moderates the firm's resource-performance relationships. Results of moderated regression and sub-group analysis show support for our hypotheses. Specifically, the paper finds that higher anticipated rivalry results in stronger human capital - firm performance relationship but weaker organizational capital-firm performance association. On the other hand, lower anticipated rivalry results in weaker human capital - firm performance relationship but stronger organizational capital-firm performance association. We discuss theoretical and practical implications of this study and identify areas of future inquiry. *(For more information, please contact: Somnath Lahiri, Illinois State University, United States: slahiri@ilstu.edu)*

Trade, Offshoring and Job Reallocation: Evidence for Morocco

Novella Bottini, LIUC- Cattaneo University- and ILO

Michael Gasiorek, Sussex University

In this paper we explore the dynamics of labour market adjustment in Morocco with a particular emphasis on the role of trade liberalisation and in-shoring. We utilise the methodology of Davis and Haltiwanger (1990) which enables us to distinguish between job creation, job destruction, overall levels of turnover, and the extent of movement within and between sectors. The results suggest that while average levels of employment growth are typically extremely low, this masks considerable movement in the labour market. The Moroccan labour market is characterised by high levels of simultaneous job-creation and job destruction as well as high levels of turnover. Our decompositions shows the importance of both "between" and "within" job movements, suggesting that Morocco is changing its specialisation pattern. The regression analysis suggests that increasing trade openness, as well as technological change have significantly impacted on the Moroccan labour market and in particular with regard to job creation as opposed to job destruction. In turn this suggests that rigidities in the Moroccan labour market may be impeding the long run adjustment process, but which in turn is likely to lessen the short-run adjustment costs for workers. Regression analysis for the in-shoring impact is in progress. *(For more information, please contact: Novella Bottini, LIUC -Cattaneo University- and ILO, Italy: nbottini@liuc.it)*

Joint Action, Internal Knowledge Sharing, Capability Building and Performance Improvement in Taiwan OEM

Peng-Yu Li, National Chengchi University

Min-Ping Kang, Shih Hsin University

This study explains how Original Equipment Manufacturers (OEM) suppliers learn from foreign brand buyers. We examined two mediate variables, internal knowledge sharing and capability in buyer-supplier learning

relationship. Data from a sample of Taiwanese OEM suppliers as the empirical setting and use LISREL to examine the mediation effect in model. We found OEM suppliers' capability building not only come from joint actions with foreign brand buyers but also need through internal knowledge sharing. Otherwise, OEM suppliers' performance improvement need through capability building instead of only relying on joint action with foreign brand buyers. *(For more information, please contact: Peng-Yu Li, Department of Business Administration, National Chengchi University, Taiwan, R.O.C.: 93355501@nccu.edu.tw)*

Global Outsourcing Quality, Knowledge Acquisition, and Entrepreneurship: Firm Opportunity Identification and Individual Spinout Intention

Rong Ma, University of Memphis
Yen-Chih Huang, National Cheng Kung University

Drawing from social capital theory and organizational learning theory, we propose a model in which high quality global outsourcing relationship leads to firm and individual entrepreneurial behavior. Different from previous studies, we focus on how global outsourcing network can increase market and technical knowledge acquisition of supplier firms, which in turn leads to supplier firm's opportunity identification. Based on the fact whether the supplier firms achieve a balance between opportunity identification and exploitation, increased opportunity identification can lead to different outcomes. Lacking a balance between the two elements may create a higher rate of spinouts since employees with enhanced knowledge are encouraged to exploit identified opportunities through founding their own firms. For supplier firms able to maintain a balance between the two elements, employees are more likely to pursue their entrepreneurial drive within the incumbent supplier firms. *(For more information, please contact: Rong Ma, University of Memphis, United States: rongma@memphis.edu)*

An Empirical Investigation of the Link between Transaction Costs and Governance Structures of Off-Shoring Programs

Michael Rawdan, Nova Southeastern University
Ramdas Chandra, Nova Southeastern University
Ruth Clarke, Nova Southeastern University

This paper presents empirical findings regarding mode of governance and five dimensions of transaction costs. We discuss transaction cost economics in relation to the concept of outsourcing offshore, building hypotheses for testing. Starting with Coase (1937) academics have developed theory proposing that there are costs involved in organizing and managing transactions, both firm and market based. As firms vertically integrate or disaggregate in order to improve performance measured by profits, outsourcing has become more common as a way to take advantage of improved margins available in the market rather than in the traditional hierarchy. Outsourcing has quickly evolved to include resource-seeking sources, not only domestically but also internationally, as international market solutions have become a more available method of outsourcing, a practice that is now termed off-shoring. This paper provides a literature review of TCE and discusses the history of and developments in off-shoring. The results show significant support linking mode of governance to three dimensions of TCE; asset specificity, supplier dependence and environmental uncertainty. The relationships of mode of governance to technological unpredictability and to monitoring costs are not supported by the data analysis. *(For more information, please contact: Michael Rawdan, Nova Southeastern University, United States: rawdan@nova.edu)*

Offshoring and Employment: The Case of Costa Rica

Christoph Ernst, ILO
Diego Sanchez-Aconchea, University of London

In recent decades, many developing countries have opened their economy and started or intensified "offshoring" activities. Costa Rica is a particular interesting case, as it has succeeded in attracting offshoring

investment in increasingly sophisticated activities. A liberal approach towards trade and investment, together with selective targeting of TNCs in high tech firms and the promotion of education, have contributed to Costa Rica's success. The initial growth of apparel production led to a rapid expansion of employment and a more moderate increase in labour productivity. The arrival, since the 1990s, of Intel and other high tech companies, has contributed to a much faster increase in added value, wages and labour productivity, while employment creation has decelerated. There are also some indications of an incipient upward movement along the value chain, driven partly by the changing composition of offshoring activities. However, the lack of linkages between TNCs in these sectors and the rest of the economy has limited the overall development impact of offshoring. While the government has already implemented some programmes to resolve this problem, more must be done to expand the domestic technological capacity and maximize the impact of new investment on Costa Rica's workers. *(For more information, please contact: Christoph Ernst, ILO, Switzerland: ernst@ilo.org)*

A Learning Perspective on the Offshoring of Advanced Services

Peter D. Ørberg Jensen, Copenhagen Business School

Based on longitudinal case studies of offshoring of advanced IT and engineering services from Danish firms to Indian firms, this paper explores organizational learning that occurs over time in both home and host firms and uses learning as a measure of the firm impact of advanced services offshoring. The findings are consistent with the theoretical view that advanced services offshoring must be understood as an antecedent for strategic business development and organizational change in both home and host firms. The study shows that when offshoring partnerships mature and firms gain experience, the learning in both home and host firms evolve over time and differ in many cases from their initial objectives and expectations. In some of the Danish firms engaging in offshoring even ignites a process of strategic transformation. Both Danish and Indian firms use the input from their offshoring partnership to upgrade their organizations and business processes. *(For more information, please contact: Peter D. Ørberg Jensen, Copenhagen Business School, Denmark: pj.ikl@cbs.dk)*

Global Services Outsourcing by English Speaking Countries: Determinants of Offshoring Locations and the Impact on U.S., British and Canadian Labor Markets

Thomas James Norman, California State University, Dominguez Hills

Mahmood A. Zaidi, University of Minnesota

Global services outsourcing is a specific practice fueled by the evolution of technology and globalization. Technological changes and freer trade have placed traditionally safe "white collar" service jobs in accounting, computer programming, and research occupations at-risk to workers in lower-wage countries. Some view the trend in services offshoring as more harmful to national economies than manufacturing offshoring, because of the "high-value" jobs involved. This fear has led to debate over protectionist policies in developed nations. This paper examines the impact of offshoring and the corresponding implications for government and business. In this study we use a proxy for offshoring in services (service exports) and report the relationship between the level of service exports from 28 countries to three countries: Canada, the United Kingdom, and the United States. The results show the level of correlation between labor costs, average country educational level, technological infrastructure, distance and the official language of the exporting country with the share of its service exports. *(For more information, please contact: Thomas James Norman, California State Univ. Dominguez Hills, United States: tnorman@csudh.edu)*

Session: 2.1.8 - Interactive**Track: Track: 11 - FDI in and from Emerging Markets*****Emerging Markets - Environmental Challenges*****Presented On:** July 2, 2008 - 09:00-10:15**Chair:** Ram Mudambi, Temple University***Retail Industry: Seasonality in Sales, and Financial Results***

José Marcos Carvalho de Mesquita, FEAD

This paper aims at analyzing financial performances of retail industries prone to seasonality in sales. Specifically for the Brazilian economy, three sectors had their seasonal variation pattern identified, namely: 1) hyper- and supermarkets; 2) textile, clothing, and footwear; and 3) furniture, and household appliance. Results points out a stable sales pattern in supermarket sector in comparison to the other sectors, which have peak-and-valley patterns. After this, a discriminant analysis was performed to find out differences among financial indices of Brazilian companies, according to their sales pattern. According to analysis of financial ratios, companies with higher seasonal variation performed significantly better in terms of cash ratio and return on equity, whereas the other indices, debt ratio and assets turnover, account for no statistically significant differences. Building on discriminant analysis, cash ratio is the most important index for discrimination. *(For more information, please contact: José Marcos Carvalho de Mesquita, Faculdade Novos Horizontes, Brazil: jose.mesquita@unihorizontes.br)*

Information Technology and National Productivity in Developed and Developing Countries

Eric Shih, Sungkyunkwan University

Investment in IT is an important driver of economic growth and productivity in the United States and other developed countries, but there is little empirical evidence that it is paying off in terms of productivity growth in developing countries. Using cross-sectional time series data of 49 countries from 1985 to 2000, this paper investigates if investments in IT amongst has results in output growth. We estimate an intercountry production function relating IT and non-IT input factors. Results showed that while IT investments have paid substantial dividends for developed countries, we see no significant positive effect for developing countries. On the other hand, non-IT capital product substantial returns. We offer some possible explanations and direction for future investigations. *(For more information, please contact: Eric Shih, GSB - Sungkyunkwan University, Korea, South: eshieh@skku.edu)*

Does Industry Matter? Firm-specific Advantages of Diversification for Developing Country MNCs

Lin Yuan, National University of Singapore

In this paper, we theoretically identify two kinds of firm-specific advantages: the market-bound firm-specific advantages and stage-bound firm-specific advantages. Based on an analysis of 154 listed firms over the time period 1996 to 2002, we examine the simultaneous impact of product and geographic diversification on the performance. We find that diversification have different impact on performance between firms in high-technology industries and in low-technology industries. It is fruitful for high technology firms to undertake product diversification but low technology firms are better off diversifying geographically. *(For more information, please contact: Lin Yuan, National University of Singapore, Singapore: g0403305@nus.edu.sg)*

Dealing with Administration and Corruption in Russia: Experiences of Finnish Companies
Asta Salmi, Helsinki School of Economics

A key success factor for companies in foreign markets is to know how to deal with different stakeholders. In transition countries dealing with the administration in particular calls for attention to different ethical considerations. We know still very little about how managers tackle these issues in practice. This study aims at analyzing how different stakeholders in the Russian business context are approached and how Finnish companies tackle the local norms for behaviour in their stakeholder relations. This study is based on reviewing earlier studies in the area. It reports empirical findings from interview and survey studies of Finnish managers doing business in Russia. The approach of analyzing business taking place between a country of low corruption and a country of high corruption is especially revealing as it exemplifies a situation where the managers are continuously making decisions on how to behave when cultural and social norms are fundamentally different and when two sets of ethics collide. The key conclusion is that the pressures coming from the stakeholders and administration, in particular, in the host country are very different from the home country, and the companies need to find special ways to deal with these norms. Often, locals are used as middlemen when dealing with the pressures, but still, foreigners remain easily outside the inner circles of influence. *(For more information, please contact: Asta Salmi, Helsinki School of Economics, Finland: asta.salmi@hse.fi)*

Organizational Configurations, Entrepreneurial Vigor and Global Expansion: A Case of Two Emerging Market-Companies
Syed Tariq Anwar, West Texas A&M University

This paper uses a longitudinal case-based research approach to analyze two emerging-market companies from South Asia, Mittal Steel (now called Arcelor Mittal) and Tata Group. Both companies have become a major force in global business. The work analyzes both companies' international expansion within the domains of organizational configurations, corporate transformation, entrepreneurial vigor, and internationalization issues. Both groups continue to be traditional and family-based regarding their business models, organizational structures, and global networks. The significance of this paper lies in its unique methodology and corporate transformation in global markets. *(For more information, please contact: Syed Tariq Anwar, West Texas A&M University, United States: sanwar@mail.wtamu.edu)*

FDI in Eurasia: Sectoral Patterns, Motives, and Source Countries
Serkan Yalcin, Saint Louis University

This paper analyzes sectoral patterns, motives, and source countries regarding FDI in Caucasus and Central Asia. The research concerns of the study are to provide a general outlook regarding sectoral patterns and motives of FDI in the region and a comparative FDI analysis of major FDI source countries. The findings indicated that FDI in the region is generally of resource-seeking behavior as evidenced by heavy investments in oil and other energy-related sectors especially by U.S. and U.K. However, FDI by Turkey and Russia is characterized as market-seeking behavior as these two countries invest heavily in non-energy sectors. The study suggests that FDI should also be channeled to non-energy sectors by providing more liberal policies and by improving structural and institutional environments if these Eurasian countries want to increase their benefits from FDI. *(For more information, please contact: Serkan Yalcin, Saint Louis University, United States: yalcinserkan@yahoo.com)*

Internationalising to create Firm Specific Advantages: U.S. Pharmaceutical firms in the 1930s and 1940s & Indian Pharmaceutical firms in the 1990s and 2000s.

Suma Subramanyam Athreye, Brunel University
Andrew Godley, Reading University

Internationalisation is a useful strategy to gain firm specific advantages during periods of technological discontinuity. The pharmaceutical industry offers us two such episodes as examples: when the antibiotics revolution was beginning and when the possibilities of genetic routes to new drug discovery were realised. This paper compares the strategies adopted by laggard U.S. firms scrambling to gain capabilities in antibiotics, and Indian firms equally eager to acquire positions in new biotechnology based drugs and shows that both groups used internationalisation strategies to gain technological advantage (*For more information, please contact: Suma Subramanyam Athreye, Brunel University, United Kingdom: suma.athreye@brunel.ac.uk*)

Session: 2.2.1 - Panel

Track: Track: 6 - Learning, Knowledge and Innovation

Global Knowledge Transfer and Innovation Challenges in Technology Industries

Presented On: July 2, 2008 - 10:40-11:55

Chair: Yves Doz, INSEAD

Discussant: Steven Veldhoen, Booz Allen Hamilton

Intercultural Knowledge transfer under time pressure, accelerating interpartner learning processes)

Mary Yoko Brannen, San Jose State University and INSEAD

Distributed innovation and strategic integration in customer-supplier networks

Andrea Cuomo, ST Microelectronics

Leading global innovation projects

Keeley Wilson, INSEAD

Effectively leading global innovation under time pressure, when sources of knowledge are dispersed, worldwide, is an enduring challenge for global technology companies. Drawing on executive insight from leading global semiconductor firms, and on consulting and academic research, this panel identifies features of the interaction processes and leadership behaviors that determine the success of global innovations.

Session: 2.2.2 - Competitive

Track: Track: 6 - Learning, Knowledge and Innovation

Intra-MNE Knowledge Transfer

Presented On: July 2, 2008 - 10:40-11:55

Chair: John Cantwell, Rutgers University

Antecedents of Variations in Knowledge Flows Across Inter-Unit Dyads Within the Large Multinational Corporation

Antoaneta Petkova Petkova, San Francisco State University
Anil K. Gupta, University of Maryland

This paper presents a theoretical framework for studying knowledge sharing within the large multinational corporation (MNC) from a dyadic perspective. We conceptualize the variations of knowledge flows within a dyad

along two dimensions – extent and reciprocity of knowledge flows – and argue that for the MNC as a whole, it will be most beneficial if any given dyad shares knowledge to a greater extent and establishes norms of generalized reciprocity. We consider the effects of four dyadic characteristics on the extent and reciprocity of knowledge flows – interdependence (competition or collaboration), social ties, reputational balance, and inter-unit similarity. Further, we discuss the potential interactions of interdependence with the other three dyadic characteristics and draw propositions about them. *(For more information, please contact: Antoaneta Petkova Petkova, San Francisco State University, United States: apetkova@sfsu.edu)*

Antecedent of Inter-subsidary Knowledge Transfer: A Conceptual Model of Subsidiary's Knowledge Source to Peers

Fiona Xiaoying Ji, Virginia Polytechnic Institute and State University

This paper develops a conceptual model, based on a knowledge-transfer perspective, for investigating the role played by potential knowledge value of the focal subsidiary in the process of creation of knowledge-related capabilities in Multinational Corporations (MNCs). The theoretical model identifies an underlying latent construct: focal subsidiary's role as inter-subsidary knowledge source and its antecedents: strategic role (exploitation and exploration), structure (wholly-owned or joint-venture), subsidiary's top management team, which needs to be explicitly recognized and integrated in the theory of creation of synergies in MNCs. Meanwhile, the inter-subsidary dyadic relationships: co-opetition are also integrated to the whole model. While the individual importance of most of these variables has long been recognized in both internationalization and knowledge-based literature, their effects in inter-subsidary knowledge transfer have thus far been ignored. Furthermore, MNC network attributes (coordination mechanism and multinational diversification) are proposed to moderate these effects. *(For more information, please contact: Fiona Xiaoying Ji, Virginia Polytechnic Institute and State University, United States: jixy@vt.edu)*

Intra-MNC Knowledge Transfer: Some Individual Level Explanations

Dana B. Minbaeva, Copenhagen Business School
Kristiina Mäkelä, Swedish School of Economics and Business Administration
Larissa Rabbiosi, Copenhagen Business School

The knowledge-based view has recently been criticized for overlooking individual-level action and interaction in favor of an over-emphasis on the firm-level capabilities. This paper seeks to respond to that criticism by providing some individual-level explanations for a collective-level phenomenon – intra-MNC knowledge transfer. We suggest that variations in individual ability, motivation and the use of interaction opportunities provided by the organization explain part of the variation found in individual-level knowledge acquisition and use, and that this has an influence on organizational level knowledge transfer within the MNC. More specifically, we find that ability and intrinsic motivation are important drivers of individual level knowledge acquisition and use, while extrinsic motivation has no impact. Furthermore, the extent to which an individual uses interaction opportunities provided by the organization influences knowledge transfer both directly and through a moderator effect with ability and person-to-person interaction. *(For more information, please contact: Larissa Rabbiosi, Copenhagen Business School, Denmark: lr.smg@cbs.dk)*

Technological Complexity and the Restructuring of Subsidiary Knowledge Sourcing in Intra-Multinational and Inter-Firm Networks

John Cantwell, Rutgers University
Camilla Noonan, University College Dublin
Feng Zhang, Rutgers University

To better understand the increased capacity of subsidiaries for knowledge sourcing both inter- and intra-organizationally, we examine the influence of technological complexity on knowledge sourcing pattern of

foreign-owned subsidiaries in Germany. We focus our study on the pharmaceutical industry, and find that as technological complexity rises, firms tend to increasingly rely on both their international and local inter-organizational networks to facilitate knowledge accumulation, but for different purposes. The international network is used for a more intensive cross-border exploitation of knowledge within a field, while the local external network is used increasingly for the exploration of new knowledge combinations. *(For more information, please contact: John Cantwell, Rutgers University, United States: cantwell@business.rutgers.edu)*

Session: 2.2.3 - Competitive

Track: Track: 11 - FDI in and from Emerging Markets

Emerging Multinationals - An Institutional Perspective

Presented On: July 2, 2008 - 10:40-11:55

Chair: William Q. Judge, Old Dominion University

Institutional Explanations of Cross-border Alliance Modes: The Case of Emerging Economies Firms

Siah Hwee Ang, University of Auckland

Snejina Michailova, University of Auckland

Using a sample of 628 cross-border alliances established by emerging economies firms across 25 manufacturing and service industries in 64 host countries in the period 1995-2004, we investigate the effect of institutional factors on the adoption of equity alliance mode. We find support for institutional explanations of the adoption of equity alliance mode by emerging economies firms. We also find that institutional effects are contingent on the alliance location. When emerging economies firms establish alliances in developed host countries, their governance choice is most influenced by the normative pillar, followed by the cognitive pillar, with the regulatory pillar having a negligible effect. When the host countries are emerging economies, the regulatory pillar has the strongest influence followed by the cognitive pillar, with the normative pillar having an insignificant effect. The findings of this study contribute to empirical research in institutional theory, institutional explanations of cross-border alliances and strategic behavior of emerging economies firms. *(For more information, please contact: Siah Hwee Ang, University of Auckland, New Zealand: s.ang@auckland.ac.nz)*

Institutional and Transaction Cost Influences on Partnership Structure of Foreign Affiliates

Mehmet Demirbag, University of Sheffield

Ekrem Tatoglu, Bahcesehir University

Keith Glaister, University of Sheffield

This paper considers the determinants of foreign affiliate structure in the context of foreign equity ventures in Turkey. Institutional variables and transaction costs variables are examined as determinants of choice between wholly owned subsidiary, dyadic joint venture and multi-partner joint venture. The findings support the majority of the hypotheses. We find that political risk, corruption perception, cultural distance, linguistic distance, R&D intensity, FDI concentration, affiliate size and location of affiliate are particularly important in determining the choice of affiliate structure. Institution specific variables were found to be more significant in explaining affiliate formation outcomes than were transaction cost specific variables. *(For more information, please contact: Mehmet Demirbag, University of Sheffield, United Kingdom: m.demirbag@sheffield.ac.uk)*

Reputation's Effects on Diversification and Performance

Kevin Lehnert, Saint Louis University

Hongxin Zhao, Saint Louis University

Reputation is important for a firm in sustaining competitive advantages. Reputation can lead to profits and superior performance, higher customer retention and loyalty. As such, maintaining and developing a strong reputation is very important. How reputation translates into value for international ventures is another question. How do they affect international corporate strategy? In what ways do they interact with the issues of diversification and institutional distance? The purpose of this paper is to investigate these questions, investigating the reputation has on product diversification, institutional distance and performance. *(For more information, please contact: Kevin Lehnert, Saint Louis University, United States: dieboldk@slu.edu)*

Session: 2.2.4 - Competitive**Track: Track: 7 - FDI, Location, Firm-Location Interaction*****FDI: Theoretical Perspectives on Location*****Presented On:** July 2, 2008 - 10:40-11:55**Chair:** Rene Belderbos, Katholieke Universiteit Leuven*Locational Determinants of MNC Activities: Identifying a General Model*

Edmund R Thompson, University of Bath

What location-specific factors determine where firms locate foreign activities has been characterized as a neglected subject in international management research. This paper advances existing research through a two-stage, firm-level study designed to test a general model of national locational determinants by employing (i) primary data that circumvent many problems associated with secondary data models and (ii) the first known use of structural equation modeling to identify national locational determinants. Results find support for a parsimonious, 7-factor model of national locational determinants that proves generalizable across firms by sector and national origin, but only marginally generalizable across firms by size. *(For more information, please contact: Edmund R Thompson, University of Bath, United Kingdom: e.r.thompson@bath.ac.uk)*

An Empirical Investigation of the Antecedents of Location-Bounded Advantages

Fang-Yi Lo, Feng Chia University

Chwo-Ming Joseph Yu, National Chengchi University

This paper aims to understand the antecedents of location-bounded advantages. Following the instrument developing process, this research first derives initial items that may affect the degree of location-bounded advantages through deduction from the extant research literature and through induction from case studies. After assessing face validity, exploratory and confirmatory factor analyses are conducted with the data collected from executives. Validity and reliability tests empirically support that the measurements of the three constructs are appropriate. The results show that environmental embeddedness, organizational embeddedness, and the nature of advantage affect location-bounded advantages, and further regression analyses confirm that these three key constructs are antecedents of location-bounded advantages. *(For more information, please contact: Fang-Yi Lo, Feng Chia University, Taiwan, R.O.C.: fylo@fcu.edu.tw)*

Macroeconomic Nature of U.S. Foreign Direct Investment in Latin America: An Empirical Study

Harvey Arbelaez, Monterey Institute of International Studies

Isabel Ruiz, Sam Houston State University

Over the last decade, there has been a significant increase in the flows of foreign direct investment (FDI) into developing countries, particularly in Latin America. Moreover, this increase is likely to continue as multinational corporations look for new markets and profitable opportunities to serve or produce abroad. Despite the growth of FDI, we are not well informed about the different determinants of U.S. FDI inflows into Latin America. This lack of understanding is particularly troubling given the diversity of trade agreements that are taking place and that are awaiting to be signed. Recently, there has been a movement towards bilateral and multilateral trade agreements that include the U.S., and the U.S. has come to play an important role in terms of expanding the horizon of what would constitute the free trade area of the Americas (FTAA). In this study we investigate the macroeconomic determinants of U.S. FDI into Latin American countries, while paying special attention to the relationship between trade agreements and FDI inflows. To conduct the empirical investigation, we employ a fixed effects panel data model to maximize degrees of freedom and to control for cross-country and inter-temporal heterogeneity. The findings of this study reveal that, while being a member of a particular trade area (as broadly defined) does not matter much for foreign direct investment, U.S. investors are concerned about uncertain changes in their investment returns as manifest by exchange rate uncertainty. *(For more information, please contact: Harvey Arbelaez, Monterey Institute of International Studies and Groupe ESC Lille, United States: harvey.arbelaez@miis.edu)*

Foreign Direct Investment and Technological Spillovers: Evidence from China's Regions

Peter J. Buckley, University of Leeds

Jeremy Clegg, University of Leeds

Chengqi Wang, University of Nottingham

Yi (Elizabeth) Wang, University of Leeds

Using patent application data sets for China's 29 provinces between 1989 and 2003, this paper examines intra- and inter-regional technological spillovers arising from foreign direct investment (FDI). Using the conceptual frameworks of 'home-neighbourhood' and 'coast-centre-west step-ladder', the results support the existence of positive intra- and inter-regional spillovers from FDI between China's provinces in general, and between three sub-national areas in particular. However, intra- and inter-regional spillovers differ for each sub-national area and no evidence is found of a 'step-ladder' pattern in the FDI technological spillovers in China. *(For more information, please contact: Yi(Elizabeth) Wang, University of Leeds, United Kingdom: bus3y6w@leeds.ac.uk)*

Session: 2.2.5 - Competitive**Track: Track: 11 - FDI in and from Emerging Markets*****Acquisition as an Entry Strategy - Evidence in Emerging Markets*****Presented On:** July 2, 2008 - 10:40-11:55**Chair:** Jorma Larimo, University of Vaasa*Cross-border Acquisitions by Firms from Developing Countries: An Analysis of Target Country Characteristics*

Shavin Malhotra, Jacksonville University

PengCheng Zhu, Carleton University

Cross-border acquisitions (CBAs) are strategic actions that are becoming increasingly important for senior managers. CBAs are treated as effective means for entering new markets, acquiring competitive assets, and competing effectively in foreign markets. Much of the research in this area has confined to acquiring firms from

developed countries, specifically from the U.S. No or very little empirical research exists on an important contemporary question: Which target country characteristics influence cross-border acquisitions by developing-country firms? To address this question, we build on foreign direct investment and international business theories to develop hypotheses about the impact of important economic, institutional, geographic, and technological characteristics of the target country on CBAs by developing country firms. We empirically test these hypotheses on a sample of 4,803 completed acquisitions by firms located in eighteen developing countries during the time-period of 1990 to 2006. The findings indicate that developing country firms tend to acquire foreign companies in countries that have close geographic and cultural distance to the host country. In addition, the target countries have high per capita GDP, low inflation rate, effective governance system, safe political environment, low corruption level, and abundant intellectual resources. *(For more information, please contact: Shavin Malhotra, Jacksonville University, United States: smalhot@ju.edu)*

Can Guanxi Affect Resource Acquisition and Be a Source of Competitive Advantage? The Evidence of Chinese Multinational Corporations

Crystal Xiangwen Jiang, Temple University

Masaaki Kotabe, Temple University

Janet Y. Murray, University of Missouri-St. Louis

This study examines whether the institutional relatedness of multinational corporations from emerging economies (EMNCs) helps them acquire critical resources (e.g., social capital and market capital) which, in turn, affect performance outcomes. Using a sample of 121 Chinese multinational corporations, this research shows that Guanxi building with Chinese government officials confers resource capital; however, it fails to sustain firms' competitive advantage. Our results also confirm that a firm's capability plays a critical role in its technological performance, which suggests that firms must enhance internal capabilities to create firm value. *(For more information, please contact: Crystal X Jiang, Temple University, United States: crystalj@temple.edu)*

Using Specific Assets to Facilitate knowledge Transfer in Contract Manufacturing: The Case of Original Equipment Manufacture (OEM)

Hui-Mei Wang, Fu-Jen Catholic University

Hengchiang Huang, National Taiwan University

Shih-Fen S Chen, University of Western Ontario

Asset specificity and intensive knowledge transfer are widely observed in cross-border product outsourcing, particularly in a special case of contract manufacturing called original equipment manufacture (OEM). While conventional wisdom suggests that either of the two alone will fail inter-firm cooperation, we instead argue that the concurrence of asset specificity and knowledge transfer stabilizes contract manufacturing relationships in the long run. More precisely, specific investment made by subcontractors serves to mitigate the hazards of technology transfer and thus prompts buyers to share more proprietary knowledge. Free knowledge rewards then compensate subcontractors for the hold-up risks that arise from specific assets. Our arguments find empirical support in data collected from 110 cross-border OEM relationships in electronic and information technology products. *(For more information, please contact: Hui-Mei Wang, Fu-Jen Catholic University, Taiwan, R.O.C.: hueimei_tw@yahoo.com)*

Session: 2.2.6 - Competitive

Track: Track: 10 - Outsourcing, Offshoring, Supply Chain

Supply Chain Management

Presented On: July 2, 2008 - 10:40-11:55

Chair: Torben Pedersen, Copenhagen Business School

Governance Modes for Offshoring of Support Functions: Comparison of US and German Companies

Thomas Hutzschenreuter, WHU-Otto Beisheim School of Management

Arie Y. Lewin, Duke University

Stephan Dresel, WHU-Otto Beisheim School of Management

This paper contributes to the emerging debate about offshoring in international business research. Based on a coevolutionary framework we analyze the governance mode decisions of firms in international offshoring activities. We hypothesize that the choice between an internal and external mode is influenced by the institutional environment, wherein a firm is embedded, by the offshoring behavior of surrounding firms, by firm-specific characteristics and by the individual settings of a particular implementation. We test our hypothesized relationships using detailed data on 525 offshoring activities of US and German firms. Based on the outcomes we can conclude that the coevolutionary framework is an appropriate concept to explain the governance mode decisions of firm and might be applicable to other questions in the internationalization research, too. *(For more information, please contact: Thomas Hutzschenreuter, WHU Otto Beisheim School of Management, Germany: th@whu.edu)*

The Role of Manufacturing in the Internationalisation Process: Insights from the Brazilian Multinationals

Afonso Fleury, University of São Paulo

Maria Tereza Leme Fleury, University of São Paulo

The difference between local and international firms is that the latter has production and operations abroad. However, the way in which Manufacturing actually participates and contributes to the internationalization processes of firms is seldom explicitly stated. In this article, a conceptual framework for the analysis of the role of Manufacturing in the internationalization processes of firms is developed and applied to MNEs from one of the Emerging Economies. To achieve that aim three distinct approaches are combined: historical analysis, in order to contextualise the construction of theories on internationalisation; a survey involving 29 Brazilian Multinationals and four case studies to further elaborate the outcomes of the survey. The main conclusions are: a) the set of Brazilian MNEs comprise not only Manufacturing firms but also firms which have already moved up the value chain by becoming Developers or Integrators; b) despite their position in the Value Chain, those firms achieved status of World Class Manufacturing prior to their internationalisation decision; c) the Manufacturing function was the most important during the internationalisation process; d) after the implementation of their international operations, the role of Manufacturing shifted its relative importance to become supportive to other functions and competences to allow the new multinational to escalate the value chain. Those arguments suggest that the role to be played in the internationalisation of late-movers is different from the role played for the early-movers. *(For more information, please contact: Afonso Fleury, University of Sao Paulo, Brazil: acfleury@usp.br)*

What Drives Logistics Provider Selection: A Two Country Comparison

Tim Coltman, University of Wollongong
 Timothy Michael Devinney, Australian School of Business
 Byron Keating, University of Wollongong

Supply chain operations are increasingly international and third party logistics businesses represent a mixture of local, regional and multinational firms and operations. Yet, there is a surprising lack of empirical research addressing the nature of customer demand for third party logistics product and service components. In this study we examine the relative importance of 21 product and service attributes as they pertain to the choice of an outsourced logistics and transportation service provider. The method used is theoretically based, simple to implement and overcomes many of the limitations of simple ranking studies. We show how third party logistics customers in Australia and Taiwan differ in their preference for service provider features. The theoretical and practical implications of this are that improved supply chain models can be developed when separate demand structures are taken into account. *(For more information, please contact: Tim Coltman, University of Wollongong, Australia: tcoltman@uow.edu.au)*

When is International Sourcing Effective? An Examination of the Importance of Dynamic Capabilities

Floris Overheul, RSM Erasmus University
 Marja Roza, RSM Erasmus University
 Ernst Verwaal, RSM Erasmus University
 Finn Wynstra, RSM Erasmus University

Research on the impact of international sourcing on company performance has resulted in mixed evidence so far. This study investigates the importance of dynamic capabilities, i.e. supplier integration, to unravel the impact of international sourcing on performance and strategic flexibility. The data show that the extent of international sourcing does not impact firm performance and has a negative relationship with strategic flexibility. However, strategic flexibility and supplier integration positively influence firm performance. Additionally, supplier integration positively moderates between international sourcing and strategic flexibility. This evidence confirms the importance of dynamic capabilities in international sourcing strategies. *(For more information, please contact: Floris Overheul, RSM Erasmus University, United States: floris@overheul.nl)*

Session: 2.2.7 - Competitive**Track: Track: 11 - FDI in and from Emerging Markets*****Human Resource Management and Emerging Markets***

Presented On: July 2, 2008 - 10:40-11:55

Chair: Chao C. Chen, Rutgers University

A Cross National Comparison of Work Preferences: An Assessment of High And Low Performing Production Employees in Jamaica

G. Ronald Gilbert, Florida International University
 Meredith Burnett, Florida International University
 Dana Farrow, Florida International University
 Clifford Perry, Florida International University

Jamaica is an emerging economic country. Via a field study involving employees in Jamaica and the US, we test whether 17 work preference constructs embedded in a multidimensional tool are equivalent across national boundaries. We also test whether actual work performance varies according to scores on the constructs among Jamaican employees. Confirmatory factor analysis results show that the 17 constructs derived in the US apply to

employees working in Jamaica and, thus, has the potential to be a cross-border invariant measure of job suitability. These results provide preliminary support for the proposition that the work preference constructs have cross national applicability. Furthermore, t-test results show that employees' scores on 10 of the 17 constructs differ according to their levels of job performance (high vs. low). Specifically, high performers were found to place more importance on preference for an organized work environment, visual learning, work with concepts and ideas, work that is self fulfilling, factually based, detailed, results-oriented, having task specific instructions to guide them, wanting to lead others, and work with others in teams than were low performers. These results demonstrate to business managers how employees' work preferences are related to employee work performance. *(For more information, please contact: G. Ronald Gilbert, Florida International University, United States: Ron.GilbertEMS@gmail.com)*

Corporate Governance and Board of Directors in Emerging Economies: Experience from Chinese Listed Companies

Helen Wei Hu, University of Melbourne
On Kit Tam, Monash University

Although China has registered rapid economic development, its legal protection of minority shareholders is still weak. Therefore, the effectiveness of corporate governance system offers particular significance to shareholders and stakeholders. This study examines the governance impact of Chinese boards of directors with special focus on four different types of directors, their governance roles and implication on firm performance. An analysis of 300 listed companies was investigated over the period of 2001 to 2003. Our findings suggest that apart from meeting the mandatory requirement set by the regulator, the effectiveness of independent directors has not been fully realised at the current stage. To improve firm performance and reduce governance problem associated with ownership concentration, we suggest that the presence of controlling directors need to be reduced. We do not find, however, that leadership structure and CEO compensation exerts significant impact on firm performance. *(For more information, please contact: Helen Wei Hu, University of Melbourne, Australia: hehu@unimelb.edu.au)*

Board Compensation in the Emerging Market: Evidence from Chinese Listed Firms

Xu Han, Peking University
Xuanli Xie, Peking University

What are the determinants of board compensation? Are there any linkages between how to organize boards and how to motivate them? Previous studies provided unsatisfactory answers to these questions because they typically assumed that these two governance mechanisms operate independently. However, since both board organization and incentives are subject to firm's limited resource and overlap in their objectives, we propose that board compensation should be contingent on the way that boards are organized. Adopting the substitution perspective and contingency approach, this paper examines the linkage between board characteristics and board compensation using a sample of Chinese listed firms. Results provide some support for the our hypotheses. We further examine the implication of studies on board compensation issues in the context of emerging markets. *(For more information, please contact: Xu Han, Peking University, China: hanxu1@gsm.pku.edu.cn)*

CEO Staffing And Performance In Transition Economy Subsidiaries: A Sub-National Analysis Of Varying FDI Legitimacy Impact

Andreas Schotter, University of Western Ontario
Paul W. Beamish, University of Western Ontario

We address the issue of local versus expatriate subsidiary CEO staffing decisions of multinational corporations (MNC) by decomposing aggregated effects of previous between-country studies at the sub-national level. We

draw from institutional theory to develop our arguments. Our detailed within-country analysis of 2315 MNC subsidiaries in China shows that foreign direct investment (FDI) legitimacy is a reliable measure of pertinent institutional environment differences at the sub-national level and that the commonly used country level measures including institutional distance and cultural distance mask pertinent within-country differences. MNCs, which invest in Chinese provinces with lower FDI legitimacy, use more local nationals as subsidiary CEOs compared to provinces with higher FDI legitimacy. In provinces with low FDI legitimacy subsidiaries with local CEOs perform relatively better than subsidiaries with expatriate CEOs. This effect is particularly strong for wholly foreign owned subsidiaries and applies to all provinces except the six most developed coastal regions. In provinces with higher levels of FDI legitimacy these effects are reversed. *(For more information, please contact: Andreas Schotter, University of Western Ontario, Canada: aschotter@ivey.uwo.ca)*

Session: 2.2.8 - Competitive

Track: Track: 2 - Economics, Finance, Accounting, Taxation

Firm Strategy and Access to Capital

Presented On: July 2, 2008 - 10:40-11:55

Chair: Ilan Vertinsky, University of British Columbia

The Influence of Reference Groups on Firm Decisions: Interorganizational Imitation in a Multinational Setting

Stewart R. Miller, University of Texas - San Antonio

Daniel Han Ming Chng, Sungkyunkwan University

Daniel C. Indro, Penn State University - Great Valley

Malika Richards, Penn State University - Berks

This study develops a framework to explain how the prior actions of similar and dissimilar reference groups are more or less likely to influence a firm's decision to imitate in a competitive, multinational setting. We also examine the effect of market uncertainty and argue that it selectively moderates. Our empirical results, which control for non-capital raising ADRs and non-listed ADRs (i.e., private placements), provide evidence that firms are less likely to imitate the prior actions of the most similar reference group and more likely to imitate the prior actions of dissimilar reference groups. Both of these findings are consistent with our predictions. Moreover, we find that market uncertainty moderates selectively mimetic behavior--only prior actions of same country-different industry firms. *(For more information, please contact: Stewart R. Miller, The University of Texas - San Antonio, United States: stewart.miller@utsa.edu)*

Promotion and Creation of Venture Capital in China: The Role of Foreign Investors

Qianqian Du, University of British Columbia

Ilan Vertinsky, University of British Columbia

In China international VCs have played a dominant role in establishing new enterprises, especially in the high-tech sectors. In this paper we examine risk mitigation strategies of international VCs in two phases of venture capital market development. First we examine strategies which aim to reduce political risks in the early stages of market development and then we analyze VC strategies when the market developed and business risks that predominated investment decisions. Using a comprehensive database of deals in which international VCs have participated in China since 1993, we examine the investment targets of international VCs in China and their risk mitigation strategies as a function of their characteristics and the characteristics of the local environment in which they choose to operate and the enterprises they choose to back. *(For more information, please contact: Qianqian Du, University of British Columbia, Canada: qianqian.du@sauder.ubc.ca)*

Financial Foreign Direct Investment: The Role of Private Equity Investments in the Globalization of Firms from Emerging Markets

Tamir Agmon, The College of Management
Avi Messica, Holon Institute of Technology

In the 21st century financial foreign direct investment (FFDI) is replacing FDI as a driver of globalization. This is congruent with a process in which the traditional North-South direction of globalization is augmented by a South-North direction. Firms from emerging markets are seeking to buy "headquarter services" as a way to become competitors in the global markets. This process is aided by private equity investments by private equity funds. The funds act as global financial and risk intermediaries and they export sector specific capital and organization capital from the developed to the emerging market. Thus the process of value maximization by financial institutions who invest in private equity funds, and of the general partners of the fund contribute to a new process of globalization. *(For more information, please contact: Tamir Agmon, The College of Management, Israel: agmont@012.net.il)*

Global Diversification in the Financial Sector: What Accounts for its Rarer Occurrence

Eric C. Tsai, State University of New York at Oswego

International investments in the financial sector have lagged significantly behind the manufacturing industry. This paper first examines patterns of international investments by U.S. firms in both financial and manufacturing industries for plausible explanations. The conventional FDI framework indicates that, from an operational perspective, the lack of ownership and internalization advantages is a primary reason for the relative lagging of FDIs in the financial sector. The less favorable cross-border diversification announcement wealth effect for financial firms is consistent with the aforementioned findings and the less than glamorous market valuation may discourage their globalization attempts as well. The determinants of their wealth effects are found to be quite dissimilar between industries. Further analyses on globalizing and domestic bank characteristics suggest that the exercise of caution over the requirement of superior efficiency and profitability to overcome tougher globalization threshold for banking sector may also lead to more conservative approach in FDIs and thus impede their international investments. *(For more information, please contact: Eric C. Tsai, State University of New York at Oswego, United States: drtsai@comcast.net)*

Session: 2.2.9 - Competitive

Track: Track: 1 - The Context of Global Business

Measuring Political Risk

Presented On: July 2, 2008 - 10:40-11:55

Chair: C. Annique Un, University of South Carolina

The Impact of Exogenous Non-Economic Shocks on the Global Business Environment: A Cross-country Analysis of the Impact of September 11th on Muslim-Populated Countries

Mazhar Islam, University of Minnesota
Adam Fremeth, University of Minnesota
Alfred Marcus, University of Minnesota

The risks of operating MNCs have generally been studied from the perspective of those factors that can be considered endogenous to a particular country. However, global markets are not only subject to endogenous factors but also a series of exogenous factors, which may come in the form of non-economic shocks. Unlike the traditional costs of operating abroad, the impact of non-economic shocks is more complex to recognize. When the source of non-economic shocks can be isolated to an individual or group, the event can have a socio-

cultural spillover that harms foreign markets which may be linked with that source but had no role in the event's occurrence. Using the events of September 11th, as the empirical context and a novel econometric approach, we find that the costs of operating in Muslim-populated countries increase above and beyond what can be explained by those endogenous economic, political, and social factors. Consistent with our theoretical model, our results suggest that a differential increase in costs of operations in particular foreign markets following an exogenous non-economic shock can be attributed to a manager's likelihood to categorize countries together and link them with the source of the shock. *(For more information, please contact: Mazhar Islam, University of Minnesota, United States: isla0024@umn.edu)*

The "Real" World Out There: Firm and NGO Knowledge Structures in the Oil Sector in Ecuador
Rafael Lucea, George Washington University

In this paper I study the relations between oil companies and Non Government Organizations (NGOs) operating in Ecuador. In contrast with current approaches that try to explain differences in organizational behavior attending to the observable attributes of these organizations (amount and kind of resources they can command, industry or sector, strategies espoused, etc.), I explore Firm-NGO interactions from a cognitive perspective. More explicitly, I propose that the cognitive structures prevalent in each organization may have a fundamental influence on the relations established between firms and non-market actors such as NGOs.

The results of this study suggest: (1) that the cognitive structures –or mental maps- held by firms and NGO managers exhibit considerable variation within each type of organization; (2) that when mental maps are aggregated into "Oil industry" and "NGO sector" maps, these present statistically significant differences; but (3) that when this comparison is carried out at the level of the individual organization, there is a considerable level of overlap among firm and NGO managers' mental maps. The nature and magnitude of these effects provide complementary explanations to current theories addressing the interaction between corporate and non-market actors.

(For more information, please contact: Rafael Lucea, GWU, United States: rafel@gwu.edu)

Measuring the Financial Impacts of Adverse Political and Social Events
Lite Nartey, University of Pennsylvania

I use the event study method to examine the effects of different types of adverse political and social events by different political and social actors on firms in the global oil industry. I find that adverse political events tend to have a relatively lower impact on firms than adverse social events. This discrepancy may be due to the element of 'surprise' generally associated with social events, relative to political events which are often anticipated. I also find a difference in the impacts of social events created by members of civil society and the impacts of social events created by labor unions and workers of oil companies on firm returns on assets. This finding hints at the firm's ability to 'manage' relatively better, the impacts of labor unions and workers verses the impacts of external social actors. *(For more information, please contact: Lite Nartey, Wharton, University of Pennsylvania, United States: lnartey@wharton.upenn.edu)*

Youth Bulges, Busts, and the Dangers of Doing Business in Violence Prone Nations
Alfred Marcus, University of Minnesota
Mazhar Islam, University of Minnesota
John Moloney, Moody's Investor Service

To ascertain whether youth bulges are related to violent conflict and whether violent conflict falls off when youth bulges are followed by busts we analyzed data from 1997-2005 covering 127 nations. Controlling for population size, infant mortality, GDP, ethnic group, religion, and breakdown in law we found that youth bulges are related to violent conflict, but when youth bulges are followed by busts, violent conflict grows rather than

diminishes contrary to the prediction we make. From this analysis, we draw implications for management research and practice with regard to the dangers of doing business in violence prone nations. (For more information, please contact: Mazhar Islam, University of Minnesota, United States: isla0024@umn.edu)

Session: 2.2.10 - Panel

Track: Track: 7 - FDI, Location, Firm-Location Interaction

The Practice, Policy and Theory of Location Selection and Optimization in a "Flat World"

Presented On: July 2, 2008 - 10:40-11:55

Chair: Douglas Van den Berghe, Investment Consulting Associates - ICA

The Practice of Location Decision Making and the Role of Business Intelligence

Douglas Van den Berghe, Investment Consulting Associates - ICA

How do MNCs today make their investment location decisions? To what extent is this process changing? Based on recent FDI projects by leading Fortune Global 500 firms the introduction of this session focuses on the practice of location decision making in global sourcing strategies. Through a newly developed software platform a number of real cases in location selection and optimization are shown. The software platform has recently developed in close collaboration with a number of Fortune Global 500 MNEs that have joined forces in a expert panel group. The presentation highlights the increased importance of business intelligence and software (including financial analysis tools) to support the location selection and optimization process by MNEs. The presentation not only shows how established MNEs and emerging MNEs select their new location for greenfield FDI, it also shows how MNEs optimize their existing location portfolios in conjunction with new external developments in the global economy. The focus hereby is not only on so-called 'hard' location factors (such as labor costs and taxation levels in various localities), but also on so-called soft location factors that have increased in importance over the last couple of years. The introduction of this roundtable panel shows, that although, the book of To Friedman on a flat world may be widely read by many executives, the practice of their international location decisionmaking has become more complex. This is counterintuitive to the central thesis of Friedman's book.

Regional Location Strategies in a 'Flat World'

Alan M. Rugman, Indiana University

A large academic literature in the international business field suggests that multinational enterprises (MNEs) are the key drivers of globalization. Yet many popular books on globalization fail to recognize the nature, extent and business reality of MNEs as leaders of globalization. Perhaps the most influential of these books is that by New York Times journalist, Thomas Friedman (*The World is Flat*). It has been reported that over three million copies have been sold; yet this book is based upon a faulty understanding of globalization. It lacks any insight and balance into the underlying empirical context of world business.

Basically, Friedman makes one point in his book, namely, today a large proportion of international business takes place through offshoring. There are two main sites for offshoring. First, much manufacturing and cost innovation takes place in China. Second, many service sector activities, especially in information technology sectors, take place in India. While both types of offshoring certainly exist (and are explained by factor cost conditions) it is apparent that Friedman vastly exaggerates the importance of offshoring beyond the information technology related area. His book largely consists of interesting and well-written anecdotes referring to this particular sector.

Is there a trend towards globalization in regarding Asia in terms of sales and/ or assets? What empirical evidence is there to support a true global strategy? What is the current performance of large firms and is it regionally driven? The answers to these three questions largely determine to what extent the field of international business needs to refine its theory to take account of the regional dimension of business. Here a framework is presented which explores the liability of inter-regional foreignness. This is contrasted with a matrix developed by the author to summarize the “flat world” model of Thomas Friedman. It is shown that the empirical evidence goes against Friedman’s simplistic view of globalization and, instead, supports the regional view.

New Policy Dimensions of the Location Decision

Michael Gestrin, OECD

The traditional view of location in IB research has been strongly influenced by IB’s classical economic patrimony, namely the dominant role of factors of production in determining location choices and investment decisions of MNEs. This emphasis has also been reflected in the historical approach towards IB policy making, which has traditionally emphasized the protection of factors of production with a view to creating a more stable, rules-based IB environment. However, the past ten years have seen some spectacular failures in IB policy, namely the failure at the OECD to negotiate the Multilateral Agreement on Investment (MAI) and the failure at the WTO to include disciplines covering investment. In the wake of these failures, the attention of IB policy makers has shifted away from the protection dimension of policy making (with its implicit pro-globalisation orientation) towards the social dimension of MNE activity and FDI. From a location perspective, this shift in emphasis in the IB policy community could have profound implications for MNE activity and IB research. MNEs can no longer simply afford to focus on the (already difficult) task of evaluating the economic costs and benefits of particular location decisions, but must also now respond to the rising policy activism in such areas as security, environment, social impact, and development considerations.

The Impact of the Flat World Concept and Location Decisions on IB Theory

John Dunning, Rutgers University and Reading University

The eclectic OLI paradigm (Dunning, 1998, 2000, 2002) is probably the main theory in IB that has incorporated the role of location in explaining international production by MNEs through FDI. In addition, theories related to the NIDL (Hymer, 1972 and 1976) and Vernon’s PLC model (1979) have opposed the post-world war II internationalization and location strategies to the Old International Division of Labor (OIDL) that characterized pre world war II era’s of internationalization. The OIDL theory is largely based on Ricardo’s basic law of comparative advantages, supporting contemporary trade theory, while the NIDL assigns a major role to the rise of developing economies in the global economic system. According to Hymer (1972) a “regime of North Atlantic MNEs” tends to (re)produce a hierarchical division of labor between geographic regions corresponding to the vertical division of labor within the firm. Hence the MNE would centralize high-level decision-making jobs (and R&D) in a few key cities in industrialized developed countries and confine the rest of the world to lower levels of activity, less sophisticated jobs and lower income. The key argument is the move towards industrialization in developing countries and a decline of manufacturing activity in developed countries.

Friedman’s in his recent book on a flat world characterizes the period of the OIDL with globalization 1.0 (explained by international economics and the principle of comparative advantage) and the period of globalization 2.0 (explained by the rise of MNEs and international production) with the period of the NIDL. Friedman sees globalization 3.0 as a period in which not MNEs, but individuals and networks play a key role. Apart from the truth and empirical evidence in Friedman’s statement, globalization 3.0 outline has no theoretical support (yet), but seems to have become a general accepted explanation of current changes in the global economy. This part of the roundtable panel discussion focuses on the following questions:

How has international business theory approached and integrated the current role and changes in location in FDI decisions? To what extent have recent developments in globalization and location selection been incorporated in IB theory? If the world is increasingly 'flat' does this imply that FDI is less driven by exploiting locational differences and that we as IB scholars need to revise our theories? What will be the future research agenda for IB scholars in finding a theoretical foundation for the globalization 3.0 period?

Session: 2.2.11 - Competitive

Track: Track: 5 - Structure, Capabilities, and Planning

Restructuring and Adaptation in International Business

Presented On: July 2, 2008 - 10:40-11:55

Chair: Maktoba Omar, Napier University

Delayed and Continuous Adjustment Perspectives of Multinational Adaptation: The Role of Organizational Restructuring

Stephane J.G. Girod, Accenture Institute for High Performance Business

The last two decades have been marked by a debate about which adaptive processes multinational enterprises (MNEs) should embrace for high performance. Since the 1980s, several IM scholars have challenged the delayed adjustment perspective of adaptation where periodic and rare organizational restructurings, associated with the hierarchy, are necessary and useful for performance. Contingency and transaction cost economics theories form the core of this perspective. But based on dynamic resources and capabilities, some IM scholars have proposed more continuous, incremental, and 'softer' adaptive processes associated with new MNE forms instead of organizational restructuring. They emphasize a continuous adjustment perspective of adaptation.

Conducted among the fifty largest American industrial MNEs between 1985 and 2004, this study demonstrates that in a context of rising internationalization, MNEs have kept using restructuring at a stable rate. Moreover, restructuring is not less likely to be used by highly internationalized MNEs. It is not less likely either in transnational environments.

While incremental adaptive processes have certainly flourished among large MNEs, they have not superseded revolutionary types of change associated with the traditional hierarchy. The study contributes to the literature on MNEs transformation by highlighting the complementarities between strategic management and internalization theories.

(For more information, please contact: Stephane J.G. Girod, Accenture Institute for High Performance Business, United Kingdom: stephane.girod@sbs.ox.ac.uk)

How the Content of Political Connections Affects Industrial Restructuring: Evidence from Taiwanese Business Groups

Hongjin Zhu, National University of Singapore

Chi-Nien Chung, National University of Singapore

While prior research has suggested that connections between business leaders and political actors is a primary determinant of firm performance in emerging economies, relatively little attention has been directed at firms' underlying business strategies through which political connections shape firm performance. This study focuses on whether and how political connections influence the industrial restructuring of multi-business firms in emerging economies. Using business groups in Taiwan between 1986 and 1998 as research setting, our results suggest that political connections generally facilitate the industrial restructuring of business groups, but this effect is contingent on the content of political connections as well as the type of restructuring pursued.

Specifically, formal position interlocks and family political connections are more conducive to restructuring in unrelated markets than in related markets. However, social political connections act differently. They facilitate

restructuring in related markets, but inhibit restructuring in unrelated markets. *(For more information, please contact: Hongjin Zhu, National University of Singapore, Singapore: g0300243@nus.edu.sg)*

The Contingent Role of Network Hierarchy on Firm Performance

Ishtiaq Pasha Mahmood, National University of Singapore
Hongjin Zhu, National University of Singapore
Aks Zaheer, University of Minnesota

As a complement to previous research that has considered the performance implications of ego-network structure, we shift the level of analysis from firm to network to explore how the overall network structure shapes firm performance. Specifically, we move beyond the well-trodden roles of firm centrality and network density, focusing instead on the performance effects of network-level centralization, or the degree of variation in centrality among network members. We argue that network-level centralization exerts dual effects on the performance of firms in the network. While on the one hand, some centralization enhances firm performance by facilitating coordination among network partners, at higher levels of network centralization firm performance may be depressed due to increased structural inflexibility. Our results bear out such an inverted-U relationship in networks of business groups in Taiwan between 1990 and 1998. We also find that the positive performance effects of network centralization are contingent on network density as well as on the heterogeneity of the ties connecting network partners. *(For more information, please contact: Hongjin Zhu, National University of Singapore, Singapore: g0300243@nus.edu.sg)*

The Moderating Effect of Firm Age on Leveraging Liability of Foreignness

Joerg Zimmermann, Max Planck Institute of Economics

This article investigates the impact of market research and the related moderating effect of firm age as strategic leverage points to overcome the liability associated with foreignness in host country markets. It is argued that market research is a valuable means for foreign ventures to obtain local knowledge. Furthermore, firm age moderates the impact of market research on sales growth as the learning advantages enjoyed by young firms increase the benefit of newly discovered local knowledge. Hence, young firms can overcome barriers in foreign markets much faster than mature firms. A hierarchical regression estimation procedure is applied to prove the theoretical approach. The empirical results for a sample of manufacturing firms active in the Spanish market support the hypotheses. *(For more information, please contact: Joerg Zimmermann, Max Planck Institute of Economics, Germany: zimmermann@econ.mpg.de)*

Session: 2.2.12 - Competitive

Track: Track: 3 - Alliances and Inter-Firm Relationships

Alliances and Venture Profitability

Presented On: July 2, 2008 - 10:40-11:55

Chair: Jose R. De la Torre, Florida International University

Resources and Performance of International Joint Ventures in China

Wu Zhan, University of Sydney
Changsu Kim, Ewha Womans University
M. Krishna Erramilli, Illinois Institute of Technology

Drawing on the resource-based view and organizational learning theory, this study examines the effect of resources and capabilities on IJV performance. Unlike extant research which largely assumes a bipartite

relationship, the present study views an IJV as representing a tripartite relationship involving the IJV, its foreign parent and its local parent. Accordingly, it examines the effect of resources contributed by both 'foreign' and 'local' parents. It also examines the moderating role of IJV's absorptive capacity on the relationship between resources acquired from the two parents and the performance of the IJV. Results from a survey of IJVs in China provide support for the argument regarding complementary resource contributions, absorptive capacity, and their impact on IJV performance. Performance of the IJVs seems to be driven by the complementary resources of partner firms in combination with absorptive capacity of IJV. *(For more information, please contact: Changsu Kim, Ewha Womans University, Korea, South: cskim@ewha.ac.kr)*

"Smart Money"? The Impact of Investor Mix on the Performance of New Ventures

Elisa Alvarez-Garrido, University of Pennsylvania

Research has documented a wide variation in investor mix across firms, countries and industries. In this paper I ask whether investor mix affects firm's performance. In particular, I examine whether the characteristics and experience of investors affect the chances of a new venture going public or being acquired. Both a relational view of the firm and the resource-dependence theory predict that those ventures that partner with investors with valuable resources will have a higher likelihood of experiencing a liquidity event. Using a sample of 689 biotechnology firms from outside the U.S. founded between 1990 and 2004, I test the hypotheses using a two-stage Cox regression model. I find that the greater the prior successful experience of the investors, the greater the likelihood of a liquidity event; however, investment experience without accounting for prior successful exits seems to have no effect. I also find that the presence of a U.S. venture capital firm in the syndicate greatly increases the likelihood that the venture goes public, though only when financial markets are less developed. *(For more information, please contact: Elisa Alvarez-Garrido, The Wharton School, University of Pennsylvania, United States: eagarrid@wharton.upenn.edu)*

When Does Shared Routine Matter to Alliance Performance?

Chi-Yu Amy Huang, I-Shou University

I-Pin Lu, I-Shou University

Shin-Chieh Fang, National Cheng Kung University

We explore how uncertainty moderates the routine-performance relationship in international alliances, building on the distinction between behavioral uncertainty, which relates to anticipating and understanding partners' actions, and externally caused environmental uncertainty. We argue that routine matters more to performance under behavioral uncertainty and less under environmental uncertainty. We conclude that partners should concentrate on developing interorganizational routines where potential improvement in alliance performance justifies this effort, which in turn depends on the type of uncertainty faced. *(For more information, please contact: Chi-Yu Amy Huang, I-Shou University, Taiwan, R.O.C.: amy67039@ms27.hinet.net)*

Profitability, Ownership Structure, and Competitive Advantage

Benjamin Gomes-Casseres, Brandeis University

Peter Zamborsky, Brandeis University

Mauricio Jenkins, INCAE Business School

This paper uncovers and explores a striking empirical pattern, and then develops and begins to test an integrated model of competitiveness, profitability and ownership structure. U.S. multinationals' majority-owned ventures abroad are more profitable than their joint ventures with non-majority stakes. On average, majority-owned foreign affiliates in manufacturing earned a 6.4% return on assets in 1977-2003, compared to 3% for other U.S. affiliates abroad. We explain this and related findings with a new theoretical framework that views both the ownership structure and the profitability of a foreign venture as functions of the value created by the ownership-specific capabilities that the MNC brings to a host country. Where these capabilities are strong, the

MNC is likely to choose a majority ownership; its profits are also likely to be higher in these activities than in non-majority owned joint ventures. We test these predictions by constructing measures of the revealed international competitive advantage of U.S. MNCs. Our analysis confirms that the profitability gap is significantly higher in sectors where U.S. MNCs are more competitive. We also test for the effects of subsidiary size, growth, non-dividend payments, and for host country characteristics including tax rates, policies towards foreign direct investment and GDP per capita. *(For more information, please contact: Benjamin Gomes-Casseres, Brandeis University, International Business School, United States: bgc@brandeis.edu)*

Session: 2.2.13 - Competitive

Track: Track: 1 - The Context of Global Business

Law, Politics and Diversification

Presented On: July 2, 2008 - 10:40-11:55

Chair: Ruth V. Aguilera, University of Illinois at Champaign-Urbana

Japanese MNEs and Host Countries' Legal Institutions

James Anthony Landi, ACAP Advisory PCL

I examine influences of legal systems exposures and legality distance arising from host country networks on MNE value. For Japanese MNEs (1995 – 2002) common law and socialist law exposures are generally insignificant. However, common law exposure lowers value for horizontal keiretsu members reflecting their preference for less transparent operating environments that conflict with common law. Legality distance negatively impacts value. But, legality distance arising from advanced host countries boosts value as such countries provide better business environments versus Japan. Also, vertical keiretsu membership and main bank ownership moderate impacts of legality distance by insulation and influence effects, and by facilitating adaptation to differing legal regimes, respectively. *(For more information, please contact: James Anthony Landi, ACAP Advisory PCL, Thailand: jimlandi@yahoo.com)*

Japanese ODA and Entry Strategies of Japanese MNCs in China

George Z. Peng, University of Western Ontario

We examine the effect of Japanese official development assistance (ODA) on entry mode and expatriate staffing of Japanese subsidiaries in China over the period 1993-2000 at a sub-national level, based on data aggregated from Toyo Keizai, China Statistical Yearbook and the Embassy of Japan in China. ODA is found to have significant effect on both entry mode and expatriate staffing. Japanese subsidiaries are more likely to choose the joint venture mode in provinces that received more Japanese ODA. The relationship between Japanese ODA and expatriate usage is positively moderated by the absorptive capacity of local firms: Japanese MNCs are more likely to deploy higher levels of expatriates in provinces with higher levels of absorptive capacity. The theoretical and practical implications of these findings are discussed from an organizational capability / knowledge transfer perspective in the broader picture of the 'flying-geese pattern'. In this, Japan, through effective use of ODA, regionalizes its industrial production network in East Asia in order to maintain its competitive advantage in the global economy by exploiting the horizontal division of labor in Asian countries. *(For more information, please contact: George Z. Peng, University of Western Ontario / Ivey School of Business, Canada: gpeng@ivey.uwo.ca)*

How does a Host Country's Corruption Environment affect Multinational Enterprises? The Influence of Home Country Institutional Environment and Subsidiary Strategy

Jennifer Spencer, George Washington University
Carolina Gomez, Florida International University

We use institutional theory to argue that an MNE subsidiary's susceptibility to corruption in a relatively corrupt host country will vary based not only upon the corruption environment present in the host country, but also the corruption environment of the MNE's home country. We further argue that this relationship will be moderated by an MNE's localization strategies. Empirical results show that when MNE subsidiaries did not have local investors or local partners, firms from less corrupt home countries reported less need to engage in bribery as well as smaller obstacles stemming from the host country corruption environment than MNEs from more corrupt home countries. However, the presence of local investors and partners eliminated this relationship. Strategies to decentralize operational control to the subsidiary or employ local managers rather than home country managers did not influence MNEs' susceptibility to host country corruption pressures. (For more information, please contact: Jennifer Spencer, George Washington University, United States: jspencer@gwu.edu)

Institutional Environment and Diversification Strategy of Chinese Listed Firms: An Investigation of H-Share Firms

Nan Zhou, University of Pennsylvania

We examine the relationship between performance and diversification, among a population of Chinese firms that are listed in Hong Kong Stock Exchange (HKSE) during the period of 2000 to 2006. We propose that performance and diversification for firms in emerging economy has a U-shape relationship: related diversification could be harmful because of the short history of Chinese firms and agency problem; while unrelated diversification could be beneficial because of the institutional voids in emerging economies. At the same time, institution environment plays an important role in diversification: by listing in HKSE, the benefits from unrelated diversification decrease because HKSE fills the institutional voids. Accordingly, H-share firms will decrease the level of diversification because of the decreasing benefits from unrelated diversification. Moreover, state-owned firms are less likely to decrease their level of diversification either because the state encourages diversification or because of agency problem. Using the sample of H-share firms, we find supports for the above arguments. (For more information, please contact: Nan Zhou, University of Pennsylvania, United States: zhounan@wharton.upenn.edu)

Session: 2.2.14 - Panel

Track: Track: 6 - Learning, Knowledge and Innovation

Doing Research on Global R&D: Cross-fertilization and Collaboration among Different Methodological Approaches

Presented On: July 2, 2008 - 10:40-11:55

Chair: Kazuhiro Asakawa, Keio University

Discussant: D. Eleanor Westney, York University

Organization Theory-based Case Research: Opportunity and Challenge

D. Eleanor Westney, York University

Patent-based research: Opportunity and Challenge

Jaeyong Song, Seoul National University

Yanli Zhang, Montclair State University

Questionnaire-based research: Opportunity and Challenge

Björn Ambos, Vienna University of Economics and Business Administration

Case-based research: Opportunity and Challenge

Roman Bartnik, Universität Duisburg-Essen

Marcus M. Keupp, University of St. Gallen

Economics-based research: Opportunity and Challenge

Tomoko Iwasa, Yokohama City University

Bibliography-based research: Opportunity and Challenge

Ashok Som, ESSEC Business School

Triangulation-based research: Opportunity and Challenge

Kazuhiro Asakawa, Keio University

The study of the internationalization of R&D currently faces several challenges, from the difficulties of operationalizing our theoretical concepts and the problems of getting good data to the pressures to be normative enough to provide practical guidance for R&D managers. This is a great opportunity to discuss frankly some of the challenges that get in the way of the work on the internationalization of R&D having more impact in IB and in the various fields that study innovation. Different research methods are reviewed, including the patent-based, questionnaire-based, case-based, and bibliography-based research on the issue of the internationalization of R&D. Cross-fertilization and potential for more active collaboration in the future among different methodological approaches will be discussed among the panelists and with the audience.

Session: 2.2.15 - Panel

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

Unanswered Questions in Cross-cultural Research: What We Still Need to Know to Enhance Cross-cultural Understanding and Work/Life Effectiveness

Presented On: July 2, 2008 - 10:40-11:55

Chair: Nakiye Boyacigiller, Sabanci University

Discussant: Maggi Phillips, Pepperdine University

Is Our Science Sound and Is It Practical? Critical Appraisal of Cross-Cultural Research

Zeynep Aycan, Koc University

Confronting Our Own Limitations as Culture Researchers

Sonja Sackmann, University Bw Munich

'Unanswerable Questions' and Other Perspectives on Unaddressed Issues in Culture Research

Paul Sparrow, Lancaster University

Recognizing Our Influence: Global Business as an Agent of World Benefit

Nancy J. Adler, McGill University

Important strides have been made to answer fundamental questions regarding culture and its impact on organizational phenomena. As the field of cross-cultural management matures, concentration on key exogenous cultural dimensions is giving way to questions such as the effect of cognitive factors and multiple cultural identities. Beyond these new foci and amid heightened concern about the direction of the field, the soundness

of our theories and methodologies, and the degree to which our research reflects, informs, and advances organizational practice, a broad range of articulated yet unanswered questions persist. Within this Roundtable Panel Session, leaders in research and practice will raise and incite a discussion about key questions as yet unaddressed in culture research. In an interactive format, they will challenge the audience to consider how answers to these questions might be fruitfully pursued and how these answers might foster cross-cultural understanding, enhance work and life within organizations, and even transform the broader global community.

Session: 2.3.1 - Panel

Track: Track: 1 - The Context of Global Business

Historical Perspectives on Italian Multinationals

Presented On: July 2, 2008 - 12:05-13:20

Chair: Andrea Goldstein, OECD

Italian Investment in the United States – Contributions to a History
Federico Barbiellini Amidei, Banca d'Italia

Inside an international network: Mediobanca from the Golden Age to the stagflation
Giandomenico Piluso, Università di Siena

The Italian System of Innovation and FDI: an Historical Perspective
Sergio Mariotti, Politecnico di Milano

Research on the multinational corporation (MNC) has focused mainly on Anglo-Saxon countries, which is perhaps not surprising as for most of the 20th century the world's largest MNCs were based either in the US or in the UK. This session aims to shed new light on the experience of companies from Continental Europe and in particular on Italian MNCs. We take a long-term view, with three separate papers on 1. The role of the country's main investment bank, Mediobanca, in assisting Italian MNCs and its own internationalization; 2. The participation of Italy in international networks for knowledge creation or innovation; and 3. The experience of Italian MNCs in the US. We highlight the role of regulative, normative and cognitive domains in influencing Italian MNCs in their location choice, forms of entry, organization of foreign subsidiaries, strength and shape of connections between those subsidiaries and Italian headquarters, and choice as to how to interact with social and political actors.

Session: 2.3.2 - Competitive

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

Using Qualitative Methods in IHRM Research

Presented On: July 2, 2008 - 12:05-13:20

Chair: Mary Yoko Brannen, San Jose State University and INSEAD

A Qualitative Study of OCB within a Lebanese Cultural Context
Charlotte M. Karam, American University of Beirut
Catherine T. Kwantes, University of Windsor

An emic, qualitative approach to understanding the Organizational Citizenship Behavior in Lebanon was undertaken. A specific implication for understanding OCB in this cultural context is that in a collectivist culture

OCB may be found to be a more salient form of good performance compared to task-related behaviors which are more salient in individualistic ones. Numerous OCB examples were generated by the participants of this study. These behaviors can be usefully categorized into 7 specific OCB dimensions, four of which are similar to those previously identified in the West, while the remaining three suggest important differences in the perception of OCB in the two cultural contexts. How these differences reflect both differences in content and differences in degree is discussed. *(For more information, please contact: Catherine T. Kwanten, University of Windsor, Canada: ckwantes@uwindsor.ca)*

National Cultural Contrasts, and Local Complexity – The Case of Wielkopolska Region of Poland

Peter J. Buckley, University of Leeds
 Malcolm Chapman, University of Leeds
 Jeremy Clegg, University of Leeds
 Hanna Gajewska-De Mattos, University of Leeds

In this paper we examine the 'cultural distance' between Germany and Poland, as it has been articulated and understood by Polish and German managers. We also look at the 'cultural distance' between a region of Poland, the Wielkopolska region, and both Germany and Poland. Using an analysis of the historical relationship between the two countries, along with some ideas derived from structural anthropology we argue that the local picture is more complicated than single country index scores could accommodate.

We conclude that detailed two-country contrasts are an important complement to the standard approaches to cultural difference in international business research and that social anthropological ideas about classification, structural opposition, and definition of self and other, are fertile sources of insight for understanding such two-country contrasts.

(For more information, please contact: Hanna Gajewska-De Mattos, University of Leeds, United Kingdom: hgdm@lubs.leeds.ac.uk)

Constructing Identification over Distance: A Qualitative Study in Virtual Organizations

Lin Yan, University of Wales Lampeter

This qualitative and grounded study explores a new form of international organization – Virtual Organizations. By focusing on the issue of Organizational Identification, which is defined as individuals' sense of belongingness to and oneness with an organization, we illustrate the social dynamics over distance. Revisiting early work on Organizational Identification from a communication perspective, and drawing upon recent advancement of the practice-based view, a longitudinal case study distinguished Regulated and Emergent Organizational Identifications in a virtual organization. The methodological and practical implications for understanding international organizations are discussed. *(For more information, please contact: Lin Yan, University of Wales Lampeter, United Kingdom: l.yan@lamp.ac.uk)*

A Triangulation Trilogy

Karsten Jonsen, IMD

This paper describes how complementary triangulation methods can be used for verification and exploration of concepts and themes in qualitative studies. It argues that naturalistic inquiries, such as grounded theory and thematic analysis, can use mixed methods and multiple sources and coders in order to offset bias and to validate and explore conceptualization and categorization. Based on a managerial case-study, it demonstrates how a mix of existing techniques – tree graphs, MDS and member checking -was applied to validate and sort findings. *(For more information, please contact: Karsten Jonsen, IMD, Switzerland: karsten.jonsen@imd.ch)*

Session: 2.3.3 - Panel**Track: Track: 6 - Learning, Knowledge and Innovation*****Internationalization of Research and Development (R&D) by Multinational Companies (MNCs): Understanding the Past and Facing the Challenges of the Future*****Presented On:** July 2, 2008 - 12:05-13:20**Chair:** Marina Papanastassiou, American College of Greece and Copenhagen Business School***Internationalization of Research and Development (R&D) by Multinational Companies (MNCs): Understanding the Past and Facing the Challenges of the Future***

Marina Papanastassiou, American College of Greece and Copenhagen Business School

Asta Dis Oladottir, Copenhagen Business School

Jens Gammelgaard, Copenhagen Business School

Peter Gammeltoft, Copenhagen Business School

Christos Pitelis, University of Cambridge

Tamir Agmon, The College of Management

Robert Desmond Pearce, Reading University

The phenomenon of R&D internationalization, i.e. R&D undertaken by MNCs outside their countries of origin, has evolved both quantitatively and qualitatively. More MNCs, it appears, undertake more and more qualified R&D in an increasing number of geographical locations. However, these parallel developments sometimes make it difficult to precisely determine to what extent observed changes reflect actual changes in the amount and type of foreign R&D undertaken, and to what extent they reflect our improved theoretical understanding of the phenomenon, i.e. our ability to ask better informed questions. Therefore, the proposed panel is seeking to provide a critical overview of current trends as regards the internationalization of R&D in MNCs in different industries and from different national home bases, understand the environmental factors and strategic considerations that have led MNCs to increasingly locate R&D to foreign locations and consequently analyze by what means and to what extent MNCs integrate their international R&D units into coherent networks of innovation and knowledge sharing. Implications for management and policy makers will also be addressed. (For more information, please contact: Marina Papanastassiou, Copenhagen Business School, Denmark: mp.int@cbs.dk)

Session: 2.3.4 - Panel**Track: Track: 9 - Internationalization and Intl. Marketing*****Brand Management in Global Markets*****Presented On:** July 2, 2008 - 12:05-13:20**Chair:** S. Tamer Cavusgil, Michigan State University***Creating Global Brand Equity***

Janell D. Townsend, Oakland University

Brand Positioning in Global Markets

Daekwan Kim, Florida State University

Social Interactions, National Culture and New Product Adoption

Goksel Yalcinkaya, University of New Hampshire

Nizamettin Aydin, Suffolk University

The Evolution of Global Brands

Sengun Yenyurt, Rutgers University

This panel explores the complexities and implications of introducing new products and managing brands in an increasingly global marketplace by relating these processes to the unique theoretical foundations of International Business. First, the effects of globalization drivers, marketing's role in the new product development, and the implications for brand and product portfolio architectures are discussed. This is facilitated by examining the dynamic capabilities required to develop effective brand portfolio architectures in a Global Company (GC). Brand positioning and repositioning strategies in global markets are also explored, with respect to how alternative brand positioning strategies affect consumers' brand image, brand attitude, and brand associations. Further, the effect of social interactions and national culture on product adoption decisions and the resulting diffusion patterns are presented. Finally, the co-evolutionary relationship between firm capabilities and strategies, and the competitive market environment are considered as factors influencing global brand expansion. In aggregate, this group contemplates important concepts related to product and brand management in global markets.

Session: 2.3.5 - Competitive**Track: Track: 9 - Internationalization and Intl. Marketing*****Organization Capabilities and Export Performance*****Presented On:** July 2, 2008 - 12:05-13:20**Chair:** Jorge Manoel Teixeira Carneiro, Pontifical Catholic University of Rio de Janeiro*Effects of Electronic Intermediary Use on Export Performance*

Hyuksoo Cho, Keimyung University

Patriya Tansuhaj, Washington State University

This study investigates the effects of electronic intermediary use on export performance. The study focuses on transaction costs to examine those effects. Other dimensions of export performance, such as sales and market share are also explored. Transaction costs are the expenditures associated with transaction processes such as searching, bargaining, and monitoring. An electronic intermediary can help small and medium exporters to decrease the cost of searching for the relevant sources in the "virtual jungle". Replacing or substituting a foreign partner or distributor may not be difficult for an electronic intermediary, because exporters can access a multitude of potential alternatives. Bargaining power belongs to exporters in electronic intermediary use. Therefore, exporters may decrease bargaining costs, because the greater bargaining power enables them to reject unfavorable terms and to negotiate for better conditions. Furthermore, an electronic intermediary may prevent exporters from the opportunistic behaviors of foreign business partners, which can decrease monitoring costs in their exporting channel relationships. Finally, an electronic intermediary offers small and medium exporters a level playing field in relation to their larger competitors. Therefore, small and medium exporters can expand their sales and market share when competing with their larger competitors. *(For more information, please contact: Hyuksoo Cho, Keimyung University, Korea, South: hyuksoo@kmu.ac.kr)*

Export Performance Implications of Marketing Capabilities Development: The Critical Role of Export Market Orientation

Janet Y. Murray, University of Missouri-St. Louis
 Gerald Yong Gao, University of Missouri-St. Louis
 Masaaki Kotabe, Temple University

Export market orientation (EMO) has been identified as a key strategic resource for enhancing export performance (EP). However, knowledge about the process through which EMO affects EP is still limited. In this study, we focus on the critical role of pricing, new product development, and promotion capabilities by developing a model of EMO-marketing capabilities-EP relationship. We further investigate the process of transforming EMO into marketing capabilities and examine the moderating effects of internal and external factors. Using a survey data of 491 export ventures, we find that marketing capabilities mediate the effects of EMO on EP. Moreover, coordination mechanism strengthens and cost leadership strategy weakens the effects of EMO on new product development and promotion capabilities. Market turbulence attenuates the effect of EMO on new product development capability while competitive intensity strengthens this effect. *(For more information, please contact: Gerald Yong Gao, University of Missouri-St. Louis, United States: gaogy@umsl.edu)*

Export Memory: A Preliminary Investigation into its Quality, Use, and Link to Export Performance

Joseph Adea Sy-Changco, University of Macau
 Anne L. Souchon, Loughborough University

Exporting is one of the major ways in which organizations internationalize. With the increasingly turbulent, heterogeneous, sophisticated and even hostile export environment, the learning ability of the exporting organization may become its only source of sustainable competitive advantage. Companies must be able to find ways to improve their capability by enhancing the different aspects of their learning process. One of these is export memory. This paper examines export memory empirically, in particular its quality, its use in decision making, and its ultimate relationship with export performance. Results of our preliminary, in-depth, methodological approach reveal that exporters have a clear idea of the quality attributes they expect from export memory. Sixteen specific attributes were identified. Exporters view export memory quality as a key determinant to export memory use and, ultimately, to export performance.

(For more information, please contact: Joseph Adea Sy-Changco, University of Macau, Macau: josephs@umac.mo)

An Empirical Investigation of the Antecedents and Consequences of Export Information Behavior

Marios Theodosiou, University of Cyprus
 Evangelia Katsikea, Athens University of Economics and Business

The present study extends the export marketing literature by investigating the influence of market turbulence and organizational structure on the information behavior of small- and medium-sized exporters. All key dimensions of export information behavior are examined, including export information sources, export information types, export information dissemination and export information utilization. The impact of export information processes on export performance is also examined. Overall, 22 research hypotheses are developed and empirically tested using data collected from 160 UK exporters. The results indicate that the various information-related activities are highly interrelated and therefore a holistic approach should be adopted in investigating the export information system and its correlates. Study findings provide also evidence for a significant positive relationship between export information dissemination and instrumental/conceptual use of export information and export performance. *(For more information, please contact: Marios Theodosiou, University of Cyprus, Cyprus: mariosth@ucy.ac.cy)*

Session: 2.3.6 - Competitive

Track: Track: 2 - Economics, Finance, Accounting, Taxation

R&D, Spillovers and Firm Strategy

Presented On: July 2, 2008 - 12:05-13:20

Chair: Elmar Lukas, University of Paderborn

Modeling Sequential International R&D Alliances under Uncertainty

Elmar Lukas, University of Paderborn

Growth in the internationalization of R&D activity has increased in concert with the increasing use of strategic alliances. Typically, to date MNEs have preferred to internalize their R&D activities by setting up wholly owned subsidiaries or by acquiring a suitable target. By considering the sequential nature of market entry and the contingency for subsequent reorientation following an initial commitment for research collaboration, we use an option framework to derive a value for the overall flexibility. In particular, we present critical thresholds for timing and termination strategy selection and provide a novel perspective on existing empirical results in the domain of joint ventures. The results show that technological uncertainty promotes the formation of joint ventures. Moreover, we find an ambiguous effect of technological uncertainty on the expected duration of joint ventures. While the model also helps to refine the impact of different types of innovation on longevity of the JV it provides a number of new testable predictions. *(For more information, please contact: Elmar Lukas, University of Paderborn, Germany: elukas@notes.upb.de)*

Resource Strategy: The Real Options Framework

Zhi Wang, Manchester Metropolitan University
 Stuart Horsburgh, Manchester Metropolitan University
 Kevin Gorton, Manchester Metropolitan University

Drawing from both resource and capability literature this paper integrates the two streams of research by proposing three sets of distinctive strategic choices within the real options framework (ROF); dynamic response; revision possibilities; and generation of real options. We examine the predictive power of the three arguments, using extensive longitudinal data from a single industry context characterized by the timing, strategic flexibility and compoundness of the options in respect to environmental turbulence. Our investigation through both empirical analysis and simulation show the results supporting the propositions that demonstrates firms strategic capabilities in asymmetries in resource endowments that are further required for adjustments in productive activities whilst markets undergoing rapid change. Results also indicate that ROF can be extended to the studies of uncertainty, entry, alliances, merge and acquisitions, particularly for managerial flexibility, and hence capabilities, through embedded in firms' routines, not subject to observation, can be inferred from firms' actions that are amenable to measurement. *(For more information, please contact: zhi Wang, Manchester Metropolitan University Business School, United Kingdom: zhi.wang@mmu.ac.uk)*

R&D and Foreign Investment with Asymmetries in Knowledge Transmission

Maria Luisa Petit, University of Rome La Sapienza
 Francesca Sanna-Randaccio, University of Rome La Sapienza
 Roberta Sestini, University of Rome La Sapienza

In this paper we analyze how firms' R&D investment decisions are affected by asymmetries in knowledge transmission, taking into account different sources of asymmetry such as unequal know-how management

capabilities and spillovers localization within an international oligopoly. We find that a better ability to manage knowledge flows incentivates the firm to invest more in R&D. We then introduce geographically bounded spillovers, showing that one-way FDI stimulates the MNE to raise its own R&D, due to both the elimination of transport cost and a greater ability to source. Furthermore, it emerges that when geographical proximity increases the MNE's capability to source local know-how, FDI is more likely to occur. (For more information, please contact: Roberta Sestini, University of Rome La Sapienza, Italy: sestini@dis.uniroma1.it)

FDI and Technology Spillovers in China

Sea-Jin Chang, Korea University

Jaiho Chung, Korea University

Dean Xu, University of Hong Kong

Using a panel database of Chinese firms, we examine the effects of technology spillovers not only between foreign entrants and local firms but also between "modernized" local firms and other local firms. Our results show that the increased presence of foreign multinationals within industries and in their upstream sectors positively affected the productivity of local firms. The positive intra-industry spillover effect from wholly owned subsidiaries becomes evident when the Chinese government's restriction on foreign ownership was lifted. We also find strong spillover effects among local firms. (For more information, please contact: Dean Xu, The University of Hong Kong, Hong Kong: dxu@business.hku.hk)

Session: 2.3.7 - Competitive

Track: Track: 1 - The Context of Global Business

International Standards for Social Issues

Presented On: July 2, 2008 - 12:05-13:20

Chair: Peter Smith Ring, Loyola Marymount University

From Pilot Projects to Global Institution: The Common Code for the Coffee Community

Stephan D. Manning, Duke University

Oliver von Hagen, UNDP

Global institutions, such as social and environmental standards, are often based on multi-stakeholder initiatives. Many initiatives fail because partners are inexperienced in or incapable of finding common ground and pursuing joint objectives. Pilot projects aimed at implementing and testing new practices and standards at a local level are an important means to facilitate global institution building. Based on a longitudinal case study of the emergence of the Common Code for the Coffee Community, this paper investigates in detail how a global institution can emerge from pilot projects. In this process, project networks linking pilot projects and project partners together across national boundaries play a key role. This study may inform future research on global institution building, institutional entrepreneurship and global project organizing. (For more information, please contact: Stephan D. Manning, Duke University, Fuqua School of Business, United States: sdm24@duke.edu)

The Case of a Global Public Policy Network - What the United Nations Global Compact Is (Not)

Andreas Rasche, Helmut-Schmidt-University / United Nations Global Compact

Michael Behnam, Suffolk University

Dirk Ulrich Gilbert, University of Erlangen-Nuremberg

The United Nations Global Compact is with currently over 4.000 participants the largest corporate citizenship initiative of the world. Although having made much progress towards its goals, the Compact still faces a lot of critique. First, this paper revisits three allegations that can be identified when looking at the academic and non-

academic literature about the Compact: i.e. (1) the Compact supports the capture of the UN by 'big business', (2) its principles are vague and thus hard to implement and (3) the Compact is not accountable due to missing verification mechanisms. We discuss these allegations and argue that they rest (a) on a misunderstanding of the nature of the Compact as well as its mandate and (b) the goals it tries to achieve. Whereas this discussion shows what the Compact is not, the second section outlines a perspective that classifies the Compact as a necessary supplement to incomplete regulatory approaches and thus illustrates what it is. We argue that the supplementary role of the Compact is neglected by critics leading to an underestimation of its potential. Third, we look at the continued relevance of the Compact and the challenges that must be understood when considering the rapid growth of the initiative. *(For more information, please contact: Andreas Rasche, Helmut-Schmidt-University / United Nations Global Compact, Germany: arasche@hsu-hh.de)*

Transnational Politics, Transnational Firms and Human Rights

Stephen Kobrin, University of Pennsylvania

TNCs have become actors with significant political power and authority which should entail responsibility and liability. Many of the problems encountered in holding TNCs liable for human rights violations are a result of the discontinuity between the fragmented legal/political structure of the transnational corporation and its integrated strategic and organizational reality. This asymmetry is both related to, and exacerbated by, the traditional Westphalian international state system which privileges sovereignty and non-intervention over the protection of individual rights. However, the post-Westphalian transition – the emergence of multiple authorities, the increasing ambiguity of borders and jurisdiction and the blurring of the line between the public and private spheres – will facilitate imposing direct responsibility on transnational firms. I review a range of possible mechanisms for imposing obligations on firms including voluntary agreements and international law, but conclude that a hybrid regime which includes both public and private actors and relies on "soft law" mechanisms is likely to be both more effective and consistent with the structure of the emerging transnational order. *(For more information, please contact: Stephen Kobrin, Wharton School, Univ. of Penn., United States: kobrins@wharton.upenn.edu)*

Cross-border Non-market Environments: A Multi-Relational Approach

Rafael Lucea, George Washington University

Studies on the non-market environment of multinational companies (MNCs) have traditionally emphasized the role played by governments while paying limited attention to other actors such as public opinion, the media or non-governmental organizations (NGOs). When these other non-market actors have been taken into consideration, their geographic reach has been considered extremely limited.

However, non-market environments have become gradually more complex due to the widening array of powerful actors involved, the interaction among the issues they sponsor and the increasingly cross-border nature of their activities. This new paradigm requires that the traditional conceptual tools developed to inform strategic and organizational decision-making in the non-market domain be revised and adapted.

In this paper I propose to extend the traditionally domestic boundaries of Strategic Issue Management and Stakeholder Theory by developing the concept of "Global Issue Space" as an integrative framework that helps make sense of the multiple relations established between a focal firm and its stakeholders across issues and geographies *(For more information, please contact: Rafael Lucea, GWU, United States: rafel@gwu.edu)*

Session: 2.3.8 - Competitive

Track: Track: 6 - Learning, Knowledge and Innovation

Internationalisation of Technology

Presented On: July 2, 2008 - 12:05-13:20

Chair: Paola Criscuolo, Imperial College, London

Firm Heterogeneity and Technology Seeking Strategies
 Roger Smeets, Nijmegen School of Management
 Maarten Bosker, Utrecht School of Economics

In this paper we build a model to derive the relationship between firm heterogeneity and the strategies that firms might employ to seek foreign technology. In accordance with some recent empirical insights, we find that low productivity (laggard) firms are inclined to choose exports as a way of technology seeking, whereas high productivity (leader) firms do so mainly through FDI. We demonstrate that this result is mainly due to the fact that laggard firms possess less intra-firm technology transfer skills and have less absorptive capacity relative to leader firms. We also empirically illustrate the implications of our model using patent-citations of non-US firms to their US counterparts. *(For more information, please contact: Roger Smeets, Nijmegen School of Management, Netherlands: r.smeets@fm.ru.nl)*

Firm Ownership Internalization and R&D Investment: The Moderating Impact of International Market Expansion
 Yunshi Liu, Tunghai University
 Wen-Ting Lin, National Taiwan University

This study develops hypotheses regarding the altruism, stewardship and human capital perspectives that affect the effect of family insider ownership and non-family insider ownership on firm's R&D investment. We tested hypotheses using longitudinal data (2000-2005) from 179 high-technology listed companies in Taiwan. Results reveal that family insider ownership tends to be risk averse and have lower proclivity to increase firm's R&D investment. In contrast, non-family insider ownership that is accounted for presents a positive relationship with firm's R&D investment. In addition, firm foreign market scale and scope had significantly positive moderating effects. *(For more information, please contact: Wen-Ting Lin, National Taiwan University, Taiwan, R.O.C.: d93724010@ntu.edu.tw)*

The Impact of Internationalisation of Research on Firm Market Value
 Paola Criscuolo, Imperial College, London

It is often maintained that one of the basic competitive advantages of multinational enterprises (MNEs) lies in their abilities to tap into the knowledge generated in centres of excellence around the world. However there has been little research about the implications for financial performance of external knowledge sourcing through R&D internationalisation. Drawing on internalisation theory and theories of R&D internationalisation this paper examines whether the adoption of a geographically dispersed network of research units has an impact on MNE's market valuation. I hypothesize that it is not only the geographical dispersion of research activities but also the degree of local embeddedness into host-regions scientific communities and the ability of firms to integrate knowledge from multiple locations that is associated with higher market valuation. The analysis focuses on a sample of 29 world largest pharmaceutical and chemicals MNEs and on the geographical patterns of their scientific publications and co-authorship between 1990 and 2005. Results from panel estimations show that there is a positive relationship between MNE market value and both internationalisation of research and local

embeddedness, while there is not a significant association with knowledge integration from multiple locations. (For more information, please contact: Paola Criscuolo, Tanaka Business School/ Imperial College London, United Kingdom: p.criscuolo@imperial.ac.uk)

General Purpose Technology (GPT), New Techno-Economic Paradigm and Corporate Technological Internationalization

Ranfeng Qiu, Rutgers University

In the new ICT-based paradigm, with the development of GPTs (General Purpose Technology) and ICTs (Information and Communications Technology), multinationals have increasingly dispersed their competence-creating activities into foreign countries. However, the internationalization of these activities differs according to various degrees of centrality of different technologies within firms. Using patent data granted in the U.S to the largest multinationals covering 16 industrial groups of firms and 56 technological fields, this paper investigates the locational dispersion of corporate research activities across industries and technologies. We find that General Purpose Technology (GPT) and Information and Communications Technology (ICT) are decreasingly developed as firms' primary technologies, but increasingly generated by firms which develop them to support their core competencies (as their complementary technologies). Moreover, compared with other technologies, GPTs and ICTs are more likely to be developed at home country, especially when they are firm's primary technologies. (For more information, please contact: Ranfeng Qiu, Rutgers University, United States: rqi@pegasus.rutgers.edu)

Session: 2.3.9 - Competitive

Track: Track: 11 - FDI in and from Emerging Markets

Internationalization and Performance - Evidence from Emerging Markets

Presented On: July 2, 2008 - 12:05-13:20

Chair: Alan M. Rugman, Indiana University

Competitive Strategy, Managerial Ties, and Profitability of Foreign Firms in China

Julie Juan Li, City University of Hong Kong

Kevin Zheng Zhou, University of Hong Kong

Alan T. Shao, University of North Carolina at Charlotte

On what should foreign firms focus in emerging economies, competitive strategies or managerial ties? This study examines the roles of competitive strategies and managerial ties simultaneously and interactively. Using a sample of 187 foreign firms in China, we find that both differentiation and low-cost strategies foster the profitability of foreign firms. Foreign firms also benefit from their use of business ties. However, their profitability suffers when they increasingly use political ties. Moreover, political ties weaken and business ties strengthen the effect of a differentiation strategy on foreign firms' profitability. (For more information, please contact: Julie Juan Li, City University of Hong Kong, Hong Kong: julieli@cityu.edu.hk)

A Temporal Study of Diversification, Group Affiliation and Performance Among Indian Manufacturers

Kannan Ramaswamy, Thunderbird School of Global Management

Mingfang Li, California State University - Northridge

Barbara S Pecherott Petitt, Thunderbird School of Global Management

This paper explores the nature of the influence that business groups exert in shaping performance outcomes in emerging markets. Set in India, the study used a longitudinal research design to assess the independent and

collective performance impact of group affiliation and diversification both before and after economic reforms were introduced in the country. Consistent with the market failure perspective, results show that in the pre-reform period the group structure exerted an important moderating effect on the diversification - performance relationship. However, contrary to theoretical expectations, these group benefits appear to persist even after many of the sources of market failure had started to decline rapidly. This persistence of group effect may be indicative of the continued relevance of non-diversification benefits of the group structure in emerging markets. (For more information, please contact: Kannan Ramaswamy, Thunderbird School of Global Management, United States: kannan.ramaswamy@thunderbird.edu)

Global Orientation, Internationalization, and Performance of Emerging Market Multinationals

Elitsa R. Banalieva, Northeastern University
Ravi Sarathy, Northeastern University

We suggest a new theory of global orientation and performance for multinational enterprises (MNEs) from emerging markets (EMs) reflecting that such firms typically have far less integrated home regions and more incentives to expand globally than their TRIAD-based counterparts. We test our theoretical advancements by analyzing whether a global orientation of international expansion moderates positively the internationalization-performance relationship of MNEs with a sample of firms from three EMs—India, Israel, and South Africa—for the period 2000-2006. This is the first study to conceptualize and find overall support for the hypothesis that global orientation increases firm performance for EM MNEs significantly. Our findings bear important implications for future theory extensions and management practice of EM MNEs. (For more information, please contact: Elitsa R. Banalieva, Northeastern University, United States: e.banalieva@neu.edu)

Session: 2.3.10 - Panel

Track: Track: 7 - FDI, Location, Firm-Location Interaction

Real Options and International Investment: New Developments and Future Research Directions

Presented On: July 2, 2008 - 12:05-13:20

Chairs: Anju Seth, University of Illinois at Urbana-Champaign / Virginia Tech and Tony W. Tong, University of Colorado

Real Options and Foreign Affiliate Divestment

Rene Belderbos, Katholieke Universiteit Leuven

Affiliate divestments are important strategic decisions by multinational firms with major implications for corporate performance, but divestment decisions have received relatively little systematic attention in the literature. This paper applies a real options perspective to analyze foreign affiliate divestment decisions. Real option theory conceptualizes how operating a network of manufacturing plants in different countries can create value for the multinational firm by providing growth and flexibility options under uncertainty concerning future macroeconomic and policy conditions (e.g., Kogut & Kulatilaka, 1994; Li & Rugman, 2007; Tong & Reuer, 2007). Empirical research in this area has however provided ambiguous results concerning the market valuation and downside risk implications of multinational operations (Reuer & Leiblein, 2000; Tong & Reuer, 2007; Tang & Tikoo, 1999). In this paper we take the perspective that the (option) value of an investment in a portfolio depends on the configuration of other investments in the portfolio if investments have similar or correlated performance characteristics (e.g., Vassolo et al., 2004; Girortra et al., 2007). Affiliates in a network may be sub-additive or redundant from an options portfolio perspective if the characteristics of their options overlap with those of other affiliates, which reduces their real option value.

We test hypotheses on a comprehensive sample of 1078 Asian manufacturing affiliates of Japanese multinational firms in the electronics industry during the turbulent years preceding and into the Asian financial crisis (1995-1998). The analysis confirms the existence of investment hysteresis suggested by real options theory: multinational firms are reluctant to divest affiliates in response to adverse macroeconomic circumstances if affiliate investments represent growth or switch option value under macroeconomic uncertainty. This hysteresis effect is however reduced if affiliates' options are redundant from an options portfolio perspective, i.e., if affiliates are not the sole manufacturing platform of the firm in the host country and if the host economy has a high macroeconomic performance correlation with other countries in which the multinational firm network is established. The results imply that affiliate divestment decisions should be considered in the context of wider multinational firm strategy and their position in international plant networks, rather than as separate decisions, as has been the approach in most previous work on foreign divestments. Our findings also suggest that the failure to take into account network redundancies may be a plausible explanation for the previously reported ambiguous findings on downside risk mitigation of the scope of multinational operations.

Who Buys Whom? Dual Latent Options in International Equity Partnerships

Akie Iriyama, University of Pittsburgh

Ravi Madhavan, University of Pittsburgh

While extant real options theory has provided a fruitful view on equity partnerships' as a transition tool for future acquisition or divestment, the previous literature has not addressed the intermingling of call options (options for future acquisition) and put options (options for future divestment) in shifts of equity stakes between partners (which reflects an acquisition for one party and a divestment for the other). As an initial step to clarify this phenomenon, we examine equity shifts in international equity partnerships upon resolution of an external environment uncertainty (which is reflected in an unexpected positive or negative local market shift). We first suggest the concept of "latent dual options" in equity partnerships, in which each partner implicitly buys both a call option and a put option at the inception of the partnership. However, at the actual equity shift under the external market shift, only one partner is able to exercise the option, with the other partner merely honoring that exercise in the role of an "option writer." In such a situation, which partner gets to exercise the option becomes an important question. We suggest that critical factors are the differences in partners' resources to influence to the focal venture's value and capabilities to interpret an external environment change. In applying the logic to international equity partnerships, we hypothesize that equity shifts from local firm to foreign firm take place upon the deterioration of local business environments, rather than upon improvement thereof. However, this relationship is inversely moderated by the degree of foreign firm's experience with prior international investments. Using a longitudinal data set of Japanese automotive component manufacturers' international equity partnerships, we obtained results that support our hypotheses. Our study makes important contributions to the literature, contending that the application of the real option view to corporate strategy is more complex and nuanced than conventionally perceived.

A Dynamic Game of Learning Race in Joint Ventures

Tailan Chi, University of Kansas

Jing Li, Simon Fraser University

This study develops a combined real-options and game-theoretic model of joint ventures (JVs) to examine the dynamics of learning race between two JV partners. Following Li et al. (2007), our model assumes that there is initial synergy between the two partners of the JV in the sense that they face a higher cost of production if they enter the market alone than if they do so via a JV. This synergy, however, can diminish as at least one of the partners acquires the other's knowledge. In each stage of the game, they choose whether to engage in a learning race by expending extra efforts to acquire the other's knowledge while trying to wall off its own knowledge from the other. This non-cooperative behavior is assumed to speed up the defecting party's learning, slow down its partner's learning, and impede the technology improvement of the JV. At the end of

each stage, the parties decide via negotiation whether one of them is to acquire the other's stake in the JV. The negotiated acquisition price depends on the outcome of their respective learning, i.e., how well each party is expected to perform if they dissolve the JV and compete against each other in the market.

By integrating the real option's approach with the game-theoretic approach, our model can examine several interesting tradeoffs facing partners in a JV that so far have not been scrutinized rigorously. For example, the key tradeoff facing partners in determining whether to cooperate or defect is that if the party chooses to defect, it will speed up its own learning and slow down its partner's learning and at the same time also impede the JV's technology improvement that is the basis of their respective production cost after the JV's termination. The model allows us to study the conditions that sustain cooperation or trigger defection. Similarly, in determining whether to acquire the JV, a partner also faces an interesting tradeoff: Unifying the control over the venture's operations may reduce transaction costs and facilitate knowledge integration but may also cause the venture to lose access to the other's continued knowledge contribution. Existing applications of option theory to JVs haven't formally incorporated learning races into the model or examined the determinants and effect of learning races in JVs (Chi, 2000; Li et al., 2007; Chi & Seth 2008). Our combination of the real-option and game-theoretic approaches to modeling JVs can help us to gain a better understanding of the dynamics of learning, the option value of the JV, and their impacts on the partners' behaviors in the JV.

Top Executives' Assessments of International Joint Ventures: A Multi-theoretical Perspective

Beverly B. Tyler, North Carolina State University

Jeffrey J. Reuer, University of North Carolina

Existing research has used different theories to study international joint ventures (IJVs) and has significantly improved our understanding of the conditions under which firms invest in IJVs. Despite this research, we still have limited knowledge about how attractive IJVs actually are to executives evaluating such investment opportunities. This is so because most prior research has used archival data on investments that had been made to infer executives' reasoning and decision preferences, and research employing such designs cannot examine investments that do not occur.

In this paper, we apply a multi-theoretical perspective that incorporates real options theory and three other prominent theories of organizational governance to study the factors that affect IJV investment decisions. Our research design employs a policy capturing technique to investigate the mental models of top executives in their assessments of IJV investment opportunities. Specifically, we examine how executives cognitively weigh criteria from four theories (transaction cost economics, the resource based-view, real options theory, and information economics) in their assessments. Doing so allows us to consider the complementary nature of the theories and to evaluate the strength of each in explaining executives' behavioral assessments of IJV attractiveness. In addition, we also investigate how executives' and the firm's IJV experiences affect the executives' weighting of decision criteria when assessing IJV opportunities.

We developed a set of hypotheses based on the four theories, and tested them using a sample of 60 U.S. top executives who assessed 30 potential IJV opportunities in China. Results provided general support for the four theories. Specifically, among the 16 decision criteria developed from the four theories, we found that 12 of them figured significantly into executives' IJV investment decision making. In addition, executives' and the firm's IJV experiences differentially moderated the impact of the decision criteria on IJV assessment. Our findings suggest that, when called upon to assess IJV investment opportunities, executives largely behave the way theory suggests by integrating firm, partnership, and environmental characteristics associated with different theories. Our study also makes contributions by bringing a behavioral decision making perspective into international business research.

Session: 2.3.11 - Competitive

Track: Track: 6 - Learning, Knowledge and Innovation

International Diffusion and Protection of Knowledge

Presented On: July 2, 2008 - 12:05-13:20

Chair: Silvia Massini, University of Manchester

Learning the Purpose of Patenting and Scientific Publications: How the Intellectual Property Management Strategy of an Emerging Multinational Evolved

Helena Barnard, University of Pretoria

Tracy Bromfield, University of Pretoria

The transition from developing country technology firm to true multinational requires both an upgrading of the underlying capability base and an understanding of the purpose of IP management. Through a detailed case study of a leading R&D firm from South Africa, this paper provides a nuanced perspective on the co-evolution of IP management together with technological advancement amid the constraints of the developing country context. Using firm patent and scientific publication data, this study suggests that the value of formal disclosure extends beyond mere appropriation of own capabilities. Importantly, patents and publications also serve to signal capabilities in an attempt to gain legitimacy amongst peers. Moreover, the value of collaborative patents and publications to latecomer firms seeking to actively develop an effective IP management strategy is highlighted. *(For more information, please contact: Helena Barnard, Gordon Institute of Business Science, Univ of Pretoria, South Africa: barnardh@gibs.co.za)*

Knowledge Mobilization Cycle in MNCs: In Search of Coordination Mechanisms

Kazuhiro Asakawa, Keio University

Mary Krome Hamilton, Carthage College

The paper explores the coordination mechanisms which enable knowledge mobilization by MNCs. The traditional model by which MNCs exploit home country advantages and applying them to other parts of the world is revised to acknowledge the strategic importance of tapping into overseas environment to access key knowledge from abroad. As of today, however, our understanding of the mode of knowledge mobilization remains limited. What kinds of coordination mechanisms are used when MNCs access knowledge from abroad, transfer it to other intra-firm units, transform it into an user's context, and leverage it? Under what condition are certain indirect mechanisms such as knowledge brokers more effective than direct ones? The paper advocates an eclectic approach to knowledge mobilization, i.e. capability and structure, and argues that flexible and dynamic approaches to utilize different mechanisms according to differing knowledge-management conditions are the first step to successful cross-border knowledge mobilization by MNCs. *(For more information, please contact: Kazuhiro Asakawa, Keio University, Japan: asakawa@kbs.keio.ac.jp)*

Knowledge Search and its Effects on the International Diffusion of Knowledge: Evidence from Information Storage Technology Patents

Wenyue Zhuang, National University of Singapore

PohKam Wong, National University of Singapore

Kwanghui Lim, Melbourne Business School

While research has shown that knowledge spillovers are geographically localized, the globalization of R&D is making international knowledge diffusion increasingly important. We propose that the propensity and speed with which technological knowledge diffuses across national borders is influenced by signals and cues during the search for new knowledge. In the context of the global information storage technology, we show that patented

knowledge with high technological impact has higher propensity and speed of international diffusion than low impact knowledge. Moreover, an organization's technological strength increases the likelihood and speed of international citation of its innovations, while internal appropriation efforts reduce diffusion. *(For more information, please contact: Wenyue Zhuang, National University of Singapore, Singapore: g0301023@nus.edu.sg)*

Appropriability Strategies of Multinational Firms - Keep Your Hands off my Girl
Wolfgang Sofka, Centre for European Economic Research (ZEW)
Pedro Faria, Technical University of Lisbon

International knowledge spillovers, especially through multinational companies (MNC), have been a major theme of recent academic and practitioner discussion. However, most research in the field focuses on knowledge sharing activities of MNC subsidiaries. Relatively little is known about their capabilities for protecting valuable knowledge from spilling over to host country competitors. We extend this stream of research by investigating MNC appropriability strategies that are not limited to formal methods (patents, copyrights, trademarks) but include also strategic ones (secrecy, lead time, complex design). Hence, we conceptualize a firm's breadth and depth of knowledge protection strategies and relate them to the particular situation of MNC subsidiaries. Moreover, we argue that their approaches differ with regards to host country challenges and opportunities. We test these hypotheses empirically based on a harmonized survey of more than 1,800 firms and their innovation activities in both Portugal and Germany. We find that MNCs prefer broader sets of appropriability strategies in host countries with fewer opportunities for knowledge sourcing. However, munificent environments require targeted sets of appropriability strategies instead. We suspect that this is due to a need for reciprocity in promising host country knowledge flows. *(For more information, please contact: Wolfgang Sofka, Centre for European Economic Research (ZEW), Germany: sofka@zew.de)*

Session: 2.3.12 - Competitive
Track: Track: 10 - Outsourcing, Offshoring, Supply Chain

Offshoring of High-End Jobs

Presented On: July 2, 2008 - 12:05-13:20

Chair: Phillippe Gugler, University of Fribourg

The Influence of Internal Resources and Partnership Quality on Firm Performance: A Study of Indian Business Process Outsourcing Providers

Somnath Lahiri, Illinois State University
Ben L. Kedia, University of Memphis

Firms from developed nations are increasingly resorting to business process outsourcing (BPO) as part of their global sourcing strategy. Although BPO is a growing practice, there has been limited empirical attention in understanding the phenomenon, particularly from the perspective of provider firms that execute important business processes for their overseas clients. In this paper we focus on the resources and capabilities that are utilized by providers in fulfilling their clients' sourcing needs. Using resource-based view as theoretical foundation, we argue that providers' human capital, organizational capital, management capability, and partnership quality are crucial assets that are deemed valuable by the clients and are utilized by the providers in attaining higher performance. Using a sample of Indian BPO providers, we empirically test three models (direct, mediating and moderating) to understand how these assets impact firm level performance. Results show that resources and capabilities relate to performance in different measures and that partnership quality has a positive moderating effect on these relationships. We conclude by discussing theoretical and practical

implications of the study and highlighting avenues of future inquiry. *(For more information, please contact: Somnath Lahiri, Illinois State University, United States: slahiri@ilstu.edu)*

Resource Attributes, Competitive Intensity and Firm Performance in International Outsourcing: The Case of India

Somnath Lahiri, Illinois State University

Utilizing a sample from the Indian business process outsourcing industry, this study examines the impact of firm-level resources (human capital and partnership quality) and industry-level competitive intensity on firms' overall business performance. Specifically, the paper finds that higher competitive intensity results in stronger human capital - firm performance relationship but weaker partnership quality-firm performance association. On the other hand, lower competitive intensity results in weaker human capital - firm performance relationship but stronger partnership quality-firm performance association. We discuss theoretical and practical implications of this study and identify areas of future inquiry. *(For more information, please contact: Somnath Lahiri, Illinois State University, United States: slahiri@ilstu.edu)*

Technological Capabilities and the Decision to Outsource R&D Services

Andrea Martinez-Noya, University of Oviedo
Esteban Garcia-Canal, University of Oviedo

This paper is aimed at making a contribution to the emerging literature acknowledging the role of firm capabilities and contractual hazards in governance choices. We argue that the propensity to outsource R&D services increases with the accumulated technological capabilities as well as with the adoption of an international strategy of local responsiveness. We find support for our hypotheses using survey data from a sample of 182 high-tech firms from the European Union and the US. *(For more information, please contact: Andrea Martinez-Noya, University of Oviedo, Spain: noya@uniovi.es)*

Offshoring of R&D Activities and the use of Organisational Concepts to Improve Product Development Processes at Home

Steffen Martin Kinkel, Fraunhofer Institute for Systems and Innovation Research (ISI)

There is a vivid discussion on the impact of offshoring R&D activities to other parts of the world, namely Eastern Europe and Asia. Empirical results on the home base effects of R&D offshoring are, however, sparse. This paper analyses the relationship between companies' R&D offshoring activities and the use of new organisational concepts at the home base as well as the short-term impact on different innovation indicators. We employ a matched pair analysis, using German data from the European Manufacturing Survey 2006, covering 1,663 firms of all manufacturing industries. We find that firms that have offshored R&D activities mainly for cost reasons do not exploit all existing organizational potentials to improve the efficiency of their product development processes at home. There is also evidence that core competences, which are necessary for the development of products new for the market, are reasonably concentrated in one local centre of excellence, instead of being offshored and thus fragmented. *(For more information, please contact: Steffen Martin Kinkel, Fraunhofer Institute for Systems and Innovation Research (ISI), Germany: steffen.kinkel@isi.fraunhofer.de)*

Session: 2.3.13 - Competitive**Track: Track: 2 - Economics, Finance, Accounting, Taxation*****Trade*****Presented On:** July 2, 2008 - 12:05-13:20**Chair:** Antonello Zanfei, University of Urbino***Exporters, Importers and Two-way Traders: The Links Between Internationalization, Skills and Wages***

Francesco Serti, Scuola Superiore S.Anna, Pisa

Chiara Tomasi, University of Urbino and Scuola Superiore S.Anna

Antonello Zanfei, University of Urbino

How do trade activities affect firms' employment and wages structures? Using firm level data on Italian manufacturing firms, this paper adds to the existing literature, by assessing how the degree of involvement in international trade impacts on workforce composition, earning levels and wage inequality. We differentiate firms involved in both trading activities - namely two-way traders - from firms that only export, and from those that only import. We show that two-way traders have a higher propensity to employ non-production workers, exhibit significant wage gaps, but also pay higher wages for both production and non production workers, relative to non internationalized firms and to firms which are involved only in either export or import. The paper also looks at how the wages and the skill structure of the trading firms change with the country of destination and origin and with the firms' sectoral and geographical diversification. (For more information, please contact: Chiara Tomasi, University of Urbino, Italy, Italy: c.tomasi@sssups.it)

Immigrant Effect in Melting Pot and Multicultural Societies: A Comparison Between the US and Canada

Majid Ghorbani, Simon Fraser University

This paper tests the immigrant effect in two different multi-ethnic systems: the United States, as an example of a melting pot society, and that of Canada, as a multicultural society. The two systems are tested at two different levels, national and regional (i.e. provinces and states), using gravity models and panel data analysis. The results indicate that the immigrant effect does not simply impact all countries in the same way. The results also point to changes in the direction by which elements such as language and history affect trade. These results are discussed focusing on dissimilarities of how multiculturalism and melting pot systems treat ethnic groups. (For more information, please contact: Majid Ghorbani, Simon Fraser University, Canada: mghorban@sfu.ca)

Do Expanding RTAs Behave Like Trade Building Blocs?

Chang Hoon Oh, Brock University

Michele Fratianni, Indiana University and Università Politecnica delle Marche

We test the relationship between the size of regional trade agreements (RTA) and openness by using a gravity equation with multilateral trade factors. Our sample includes eleven RTAs, seven with constant membership and four with expanding membership. In the first group, there are more stumbling blocs than building blocs to freer global trade. In the second group, the opposite holds. Regional trade bias declines with the size of the club; three of the four expanding RTAs have already surpassed their 'optimal' size. We also explore the link between openness of the RTA and the geographic strategy of the multinational enterprise. (For more information, please contact: Chang Hoon Oh, Brock University, Canada: coh@brocku.ca)

Session: 2.3.14 - Special Session

UNCTAD Special Session on the World Investment Report (WIR)

Presented On: July 2, 2008 - 12:05-13:20

Chair: Hafiz Mirza, Division on Investment, UNCTAD

Session: 2.3.15 - Special Session

Perspectives on Japanese Business: AJBS Best Paper Finalists (AJBS Special Session)

Presented On: July 2, 2008 - 12:05-13:20

Chair: Tom Roehl, Western Washington University

The Effects of Risks, Competition, Business Group Affiliation and International Experience Heterogeneity on Foreign Market Entry decisions by Japanese Automotive Suppliers

Lailani Laynesa Alcantara, East Texas Baptist University

Hitoshi Mitsuhashi, Keio University

Variation in Collaborative R&D: The Differential Impact of Learning on MNCs and Domestic Corporations from Japan

Oana Branzei, University of Western Ontario

Masao Nakamura, University of British Columbia

Ilan Vertinsky, University of British Columbia

Understanding Partial Mergers in Japan

Tatsuo Ushijima, Aoyama Gakuin University

Implementation of Japanese Manufacturing Strategies through Management Control Systems

Shirley June Daniel, University of Hawaii at Manoa

Dongyoung Lee, University of Hawaii at Manoa

Wolf D. Reitsperger, University of Hawaii at Manoa

Kayo Morse, Hawaii Pacific University

Session: 2.4.1 - Special Session

Farmer Dissertation Award Presentations

Presented On: July 2, 2008 - 14:20-15:35

Chair: Gary A. Knight, Florida State University

Essays on Strategic Adaptation and Firm Performance during Institutional Transition (Ph.D. Awarded by National University of Singapore)

Ajai S Gaur, Old Dominion University

The Effect of Business Group Affiliation on Firm Strategy (Ph.D. awarded by University of Minnesota)

Anna Lamin, Northeastern University

Essays on Global Non-Market Strategy (Ph.D. awarded by Massachusetts Institute of Technology)
Rafael Lucea, George Washington University

MNEs' Within-Host-Country Strategy and Structure in an Emerging Market (Ph.D. Awarded by National University of Singapore)
Xufei Ma, Chinese University of Hong Kong

Session: 2.4.2 - Competitive

Track: Track: 9 - Internationalization and Intl. Marketing

Re-conceptualizing Internationalization Process Models

Presented On: July 2, 2008 - 14:20-15:35

Chair: Gabriel R.G. Benito, Norwegian School of Management

Constructing an Internationalisation Readiness Index
Alvin Tan, University of Queensland
Paul Anthony Brewer, University of Queensland
Peter W Liesch, University of Queensland

In this study we incorporate a pre-internationalisation phase into the traditional Uppsala model of firm internationalisation to address the question: Where does the process begin? We identify through the literature four concepts fundamental to the ability of a firm to begin internationalisation of its operations: stimuli, attitudinal/psychological commitment, resources and lateral rigidity. Through a survey of 274 Australian exporting and non-exporting firms we collect data relating to the four pre-internationalisation concepts. An internationalisation readiness index is constructed and applied to some representative cases to establish its validity as a diagnostic tool. *(For more information, please contact: Paul Anthony Brewer, University of Queensland Business School, Australia: p.brewer@business.uq.edu.au)*

Towards a Re-conceptualization of the Internationalization Process of the Firm
Chung-Sok Suh, University of New South Wales
Yue Wang, University of New South Wales

This paper proposes a new conceptualization of firm internationalization to understand and predict the rapid global expansion of firms since the 1990s, especially those from emerging markets. First, based on a review of existing literature, we re-conceptualize firm internationalization as a heterogeneous process of strategic development of subsidiaries in overseas countries or regions. This re-conceptualization captures the pluralistic character of the process of firm internationalization. Second, we delineate peculiar roles played by subsidiaries in pursuit of MNE headquarters' heterogeneous motives for international expansion. We argue that the HQ's heterogeneous approaches toward overseas subsidiary development define the corresponding roles of subsidiaries, which in turn shape the knowledge-flow patterns within the MNEs. Finally, we link heterogeneous internationalization strategies with different patterns of knowledge flow within MNEs to generate hypotheses concerning the effect of such links on subsidiary performance. We argue that the proper alignment of firm internationalization strategies with knowledge flow patterns will lead to success of the overseas subsidiaries; by contrast, a mismatch will lead to subsidiary failure. The paper thus contributes to the field of firm internationalization by linking its conceptualization with the literature on subsidiary roles and knowledge flows in MNEs. *(For more information, please contact: Chung-Sok Suh, The University of New South Wales, Australia: c.suh@unsw.edu.au)*

Stages and Sequences of the Internet-enabled Internationalization Process

Rotem Shneor, University of Agder

Bjørn-Tore Flåten, University of Agder

The internationalization process literature has traditionally focused on evolutionary paths firms pass through when developing international market service capabilities. The introduction of Internet and the possibility to develop international markets via this new channel has altered some of the basic assumptions of these traditional approaches. In recent years, authors have contributed with normative and anecdotal findings concerning the influence of Internet on international marketing practices, and with it the internationalization process of the firm. Still, few insights exist concerning the actual stages firms go through when developing markets through the Internet, as well as their sequences. This paper contributes to a growing body of literature on Internet-enabled internationalization by proposing two developmental paths, representing Internet-based versus Internet-enabled firms. And it does so while refocusing the attention to the process dimension of internationalization. Seven propositions are outlined, a preliminary evaluation of the proposition based on five case studies is presented, and future research avenues are suggested. *(For more information, please contact: Rotem Shneor, UiA University of Agder, Norway: rotem.shneor@uia.no)*

'Internationalization at Home': Antecedents and Consequences on Performance of Retailers' Choice of Entry Mode in Extra-Regional Markets

Victor Almeida, UFRJ/Coppead

Angela da Rocha, Federal University of Rio de Janeiro

This study aimed at investigating the extra-regional expansion process of Brazilian retailers using theoretical models from the international business literature. The inspiration for the study came from an early paper by Welch and Wiedersheim-Paul (1980) with the suggestive title of "Domestic expansion: internationalization at home". Since national expansion is believed to be a previous step to internationalization, it is suggested here that internationalization models can be used to explain intermediary phases of retail expansion within national borders. A survey with 68 Brazilian retail chains was used to test the research hypotheses. Results gave empirical support to the research framework, showing that the choice of entry mode by retailers in extra-regional markets was simultaneously influenced by environmental factors, transaction-specific factors, strategic factors, and organizational capability factors. In addition, results suggested that, although the entry mode did not directly influence retailers' performance, the fit between the entry mode and its antecedents is significantly related to retailers' performance. The study confirms that internationalization theories can be used to explain national expansion of local firms, thus supporting the belief that national and international expansion are different steps of a similar nature. *(For more information, please contact: Victor Almeida, UFRJ/Coppead, Brazil: valmeida@coppead.ufrj.br)*

Session: 2.4.3 - Competitive**Track: Track: 11 - FDI in and from Emerging Markets*****Internationalization and Institutions - Evidence from Emerging Markets*****Presented On:** July 2, 2008 - 14:20-15:35**Chair:** Ben L. Kedia, University of Memphis*Impact of Ownership Type on the Internationalization of Emerging Market Firms*

Vikas Kumar, Università Bocconi

Torben Pedersen, Copenhagen Business School

Naveen Kumar Jain, Florida International University

We investigate the impact of ownership type on the internationalization of emerging market firms. We develop the theoretical arguments based on an integration of the literatures on institutional theory, subsidiary entrepreneurship and business groups. We argue that the relationship between group affiliation and internationalization is positive and is mediated by both, market and non-market resources. Based on a sample of Indian firms, we find that group affiliated firms internationalize relatively more than privately held firms. Furthermore, Indian business group affiliated firms derive internationalization advantages from access to key factor and political resources; whereas firms affiliated to foreign multinational corporations (MNC subsidiaries) derive internationalization advantages from access to factor resources, not so much from political resources. (For more information, please contact: Vikas Kumar, Bocconi University, Italy: vikas.kumar@unibocconi.it)

The Internationalization and Performance of a Firm in a High Growth Emerging Economies: The Behavioral Theory of the Firm

Wen-Ting Lin, National Taiwan University

Kuei-Yang Cheng, National Taiwan University

The empirical studies show a mixed result regarding the relationship between a firm's internationalization and performance. One reason is that these studies used various economic market firms as their research sample. Thus, this study on a firm's internationalization will be based on a high growth emerging market to shed additional light on this relationship. Another reason for the mixed results according to the firm behavioral theory is the fact that organizational slack and attainment discrepancy are critical for enhancing a firm's performance in internationalization.

We tested these hypotheses using longitudinal data (2000-2005) from 179 high-technology listed companies in Taiwan. We found that there was a negative relationship between a firm's internationalization and its performance in a high- growth emerging market. In addition, we extended the transaction cost considerations explaining internationalization-performance model by including the behavioral theory of the firm. We found that firms tend to show a positive performance in internationalization when they have a higher level of organizational slack and attainment discrepancy.

(For more information, please contact: Wen-Ting Lin, National Taiwan University, Taiwan, R.O.C.: d93724010@ntu.edu.tw)

Effect of Dual Embeddedness in Family and Political Systems on International Expansion

Pengji Wang, National University of Singapore

Chi-Nien Chung, National University of Singapore

In this study, we showed how the pluralistic embeddedness separately and interactively affects firms' international expansion decision. Using Taiwan as the empirical context, we mainly focused on the effect of

embeddedness in family structure and embeddedness in political systems. Taking ownership as the indicator of embeddedness, we found that family ownership has an inverted-U relationship with international expansion. Government ownership has a negative effect on expansion to Mainland China. The effects vary in different political systems developed in ruling period of KMT and DPP. In the political system in DPP ruling period where business firms have less bargaining power with government, firms highly embedded in family and political system tend to comply with political pressure by making less investment in Mainland China. *(For more information, please contact: Pengji Wang, National University of Singapore, Singapore: g0403302@nus.edu.sg)*

Organizational Entrainment and The Internationalization of New Ventures From Emerging Markets

Susanna Khavul, University of Texas at Arlington
 Liliana Perez-Nordtvedt, University of Texas at Arlington
 Deepak K. Datta, University of Texas at Arlington
 Abdul Rasheed, University of Texas at Arlington
 Eric Wood, University of Cape Town

Organizational entrainment captures the matching of pace and/or the alignment of phase of activity cycles between exchange partners. In this paper, we argue that organizational entrainment between a new venture and its most important international customers will moderate the relationship between the degree, scope, speed, and duration of internationalization and firm performance. We test our hypotheses in the context of new ventures from China, India and South Africa. Our results confirm the contingent role of entrainment in the internationalization of new ventures. We find that entrainment enhances the positive effects that degree and scope of internationalization have on new venture performance. Further, results indicate that entrainment with international customers and duration of internationalization have a synergistic effect on performance. Findings suggest that, when new ventures attain temporal fit with their primary international customers, they can implement their strategic goals in international markets more effectively. However, entrainment does not affect the relationship between the speed of internationalization and performance. *(For more information, please contact: Susanna Khavul, University of Texas at Arlington, United States: skhavul@uta.edu)*

Session: 2.4.4 - Competitive

Track: Track: 4 - Subsidiary Evolution and Strategy

Subsidiary Roles, Rights and Bargaining Power: Who Decides?

Presented On: July 2, 2008 - 14:20-15:35

Chair: Tina Claudia Ambos, Vienna University of Economics and Business Administration

The Consequences of Subsidiaries' Strategic Initiatives: A Resource-Dependence Perspective

Tina Claudia Ambos, Vienna University of Economics and Business Administration
 Ulf Andersson, Uppsala University
 Julian Birkinshaw, London Business School

In this paper, we adopt a resource-dependence perspective to shed light on the consequences of subsidiary's strategic initiatives. We investigate how a subsidiary's strategic initiatives contribute to its bargaining power, and how headquarters intervention – through granting attention or monitoring – affects the realization of its goals. Using structural equation modeling, our hypotheses are tested by drawing on a sample of subsidiaries located in three different countries. Our results show that subsidiaries are not able to increase their inter-unit power through initiatives unless they get headquarters attention. Subsidiary initiatives have a direct effect on subsidiary autonomy but the caveat is that initiatives also evoke headquarters monitoring, which in turn decreases the subsidiary's autonomy. *(For more information, please contact: Tina Claudia Ambos, Vienna University of Economics and Business Administration, Austria: tina.ambos@wu-wien.ac.at)*

Subsidiary Redefinition: Charter Removal at a German-owned Subsidiary in Hungary

Jens Gammelgaard, Copenhagen Business School
 Christoph Dörrenbächer, University of Groningen

This paper provides insights into the actors, interests and dynamics of a charter removal at a Hungarian subsidiary in the Siemens telecommunication switching division. By using network theory, we have investigated how the resource position of a subsidiary (made up by the resource specialization of the subsidiary and the dispersal of such resources within the MNC network) and the density of network exchange relationships influence charter removals at MNC subsidiaries. Our empirical findings support the idea that charter removals at MNC subsidiaries can be framed by using network theory. More particular they pinpoint to the fact that it is the specific interplay of the resource position and the network relationships that render charter removals inevitable, feasible, or implausible. *(For more information, please contact: Jens Gammelgaard, Copenhagen Business School, Denmark: jg.int@cbs.dk)*

Exploring the Effects of Embeddedness on Subsidiary Business Performance and Bargaining Power in the Multinational Corporation

Francesco Ciabuschi, Uppsala University
 Ulf Holm, Uppsala University
 Oscar Martin, Public University of Navarre

This paper investigates the relationship between subsidiary bargaining power and subsidiary business performance in the MNC from a business network perspective. Specifically by focusing on innovation development at subsidiary level we look at how subsidiary business performance and subsidiary bargaining power are influenced by the subsidiary external and corporate embeddedness, and by the HQs involvement in the innovation development process. Nine hypotheses are tested by means of Partial Least Squares (PLS) technique in a sample of 85 innovation projects taking place in 23 MNCs.

We find that subsidiary bargaining power, stemming from the subsidiary innovation, and the external embeddedness of the subsidiary directly enhance subsidiary business performance of innovation usage. Embeddedness in external relationships also affects bargaining power, via corporate embeddedness and HQ involvement in the subsidiary innovation development. We confirm that subsidiary innovativeness is a basis for business performance and bargaining power in the MNC and that external and corporate embeddedness are important underlying factors in this context.

(For more information, please contact: Francesco Ciabuschi, Uppsala University, Sweden: Francesco.Ciabuschi@fek.uu.se)

Subsidiary Types, Activities, and Location: An Empirical Investigation

Michael J. Enright, University of Hong Kong
 Venkat Subramanian, University of Hong Kong

The present paper extends the literature on the functions of foreign subsidiaries in the strategies of multinational companies in two ways: (a) by using a series of activities to induce subsidiary roles and (b) by investigating the firm-specific and location-specific determinants of subsidiary roles. Cluster analysis of responses of multinational subsidiary managers in the Asia-Pacific support a four-fold subsidiary typology. Categorical modeling on the resulting subsidiary types showed that several firm-specific and location-specific variables such as firm size, nationality, host market size and the level of host market openness have an impact on subsidiary mandate. *(For more information, please contact: Venkat Subramanian, University of Hong Kong, Hong Kong: vsubrama@business.hku.hk)*

Session: 2.4.5 - Competitive
Track: Track: 6 - Learning, Knowledge and Innovation

Local Knowledge Spillovers and Subsidiaries

Presented On: July 2, 2008 - 14:20-15:35

Chair: Anabel Ivana Marin, Sussex University

Returnee Entrepreneurs, Knowledge Spillovers and Innovation in High-tech Firms in Emerging Markets

Igor Filatotchev, City University of London
 Xiaohui Liu, Loughborough University
 Jiangyong Lu, Tsinghua University
 Mike Wright, Nottingham University

This paper investigates the impact of returnee entrepreneurs and their knowledge spillovers on innovation in high-tech firms in emerging markets. Using panel data for 1,318 high-tech firms in Beijing Zhongguancun Science Park (ZSP) we find that presence of returnee entrepreneurs increases innovation intensity of the firm. In addition, returnee entrepreneurs create a significant spillover effect that promotes innovation in other local high-tech firms. However, the extent of this spillover effect is positively moderated by the local firm's absorptive capacity approximated by R&D and the skills level of employees. We conclude with important implications for entrepreneurs and policy-makers. *(For more information, please contact: Igor Filatotchev, City University London, United Kingdom: igor.filatotchev@city.ac.uk)*

Heterogeneous Subsidiaries and Spillover Effects: The Role Of MNCs Global Linkages and Innovativeness

Anabel Ivana Marin, Sussex University
 Elisa Giuliani, University of Pisa

This paper explores the role of MNC subsidiaries in the generation of technological spillovers in industrialising countries using data from Argentina. The literature has recently suggested that subsidiaries are not 'leaky containers' of knowledge but that they may play a more active role in the process of generating externalities. This is related with the fact that subsidiaries are heterogeneous in their internal capabilities and in the extent to which they use resources from global and local sources. In previous contributions the authors have shown the importance of quantitative differences in intra-firm/subsidiary capabilities for the generation of relevant knowledge flows to other firms. This paper instead explores how qualitative differences in MNC subsidiaries may affect their potential for generating knowledge spillover effects in the host economy. More specifically, we analyse the potential for generating spillover effects of different types of subsidiaries distinguished according to the different nature of their global linkages – with both corporate and non-corporate sources. We found that only Globally Diversified subsidiaries generate positive spillovers. In our classification, Globally Diversified subsidiaries are those that establish both knowledge linkages with the MNC headquarters and other subsidiaries and linkages with other international firms or institutions. Implications for policy are discussed. *(For more information, please contact: Anabel Ivana Marin, SPRU, University of Sussex, United Kingdom: a.i.marin@sussex.ac.uk)*

Knowledge Transfer, Absorption and Impact: Foreign Subsidiaries and Locally-owned Suppliers in the Polish Automotive Sector

Simona Gentile-Ludecke, University of Manchester
 Axèle Giroud, University of Manchester

The main focus of this study is on the impact of vertical knowledge transfer from Multinational Enterprises to indigenous Polish suppliers. It concentrates on the type of knowledge transferred from MNEs and the extent to

which vertical linkages increase the capacity of the local firms and help them create new knowledge. The data analysed was collected with a mail survey and semi-structured interviews with two groups of firms: foreign subsidiaries and locally-owned suppliers in the Polish automotive sector. Results indicate that foreign subsidiary transfer knowledge to their Polish suppliers, and that the suppliers able to absorb and assimilate such knowledge demonstrated enhanced performance and capacity to create new knowledge. We identify several factors that facilitate knowledge transfer, acquisition and absorption, namely subsidiary mandate and autonomy, duration of the buyer-supplier relationship and suppliers' technical influence. Other factors increase suppliers' competitiveness and creation of new knowledge. This paper's key contributions are to provide a comprehensive view of buyer-supplier knowledge transfer, taking both foreign subsidiaries and locally owner suppliers into account; and to propose a framework that links knowledge transfer to absorption and impact on firms' competitiveness. *(For more information, please contact: Simona Gentile-Luedecke, Manchester Business School, University of Manchester, Germany: Simona.Gentile-luedecke@postgrad.mbs.ac.uk)*

Asymmetry in Knowledge Spillovers: Characteristics of Leaders and Laggards
Nandini Lahiri, University of North Carolina

The underlying notion that knowledge spillovers are a win-win for firms concerned is based on the premise that there exists some implicit understanding of reciprocity between the recipient and source firms. Yet, there exists asymmetry in the degree to which these firms benefit from incoming knowledge spillovers. Given the geographic overlap between firm pairs, the organization of R&D activity within the firm has impact in determining how this asymmetry works. Firms that are increasingly collocated with peers are likely to have greater opportunity to access spillovers. However, geographic collocation is a less frequently used mechanism for firms that are connected within their own boundaries across locations. This research has implications for the role of firm internal organization in creating competitive advantage. *(For more information, please contact: Nandini Lahiri, University of North Carolina - Chapel Hill, United States: nandini_lahiri@unc.edu)*

Session: 2.4.6 - Competitive
Track: Track: 3 - Alliances and Inter-Firm Relationships

Alliances and Relational Capital

Presented On: July 2, 2008 - 14:20-15:35

Chair: Rakesh Sambharya, Rutgers University

Demography vs. Context: A Cross-country Survey of the Willingness to Rely on Trust in Business Partnerships
Francis Bidault, ESMT, Berlin
Jose R. De la Torre, Florida International University
Stelios H. Zanakos, Florida International University

We explore the determinants of the willingness to rely on trust, defined as the acceptance of fewer contractual safeguards in a business partnership where both partners are at risk. There has been considerable attention given to the relationship between trust and contracting in the literature. By focusing on the concept of willingness to rely on trust we reduce the methodological challenge of perception-based approaches where trust is measured as an expectation on the partner's behavior. We conducted a large scale cross-country survey of executives who were presented with a business proposal and were asked what level of safeguards they would require in order to enter the deal, what would be their main concerns as to future conditions, and to what extent they would be affected by a number of behaviors and/or events. The data allow us to explore the drivers of the willingness to rely on trust under various conditions and for different demographic characteristics. Our findings attest to the impact of several organizational and functional contextual variables, in addition to traditional demographic factors, on the willingness to rely on trust, and confirm prior results on differences in

the propensity to trust between nationalities. *(For more information, please contact: Francis Bidault, ESMT, Berlin, Germany: bidault@esmt.org)*

Relational Capital, Inter-firm Learning and Alliance Performance

Chia-Ling "Eunice" Liu, National Chung Cheng University
 Pervez N. Ghauri, King's College London
 Rudolf R. Sinkovics, University of Manchester

This paper examines how relational capital influences the acquisition of knowledge between alliance partners. We propose that firms with higher levels of knowledge acquisition and sharing are better able to achieve superior alliance performance. A conceptual framework is developed by integrating the relational view, organizational learning theory, and the resource-based view. We provide empirical evidence using large-sample data to test the model and find that trust and interaction creates a basis for knowledge acquisition across alliance partners. The results also indicate that when the firms are active in knowledge acquisition and sharing, they are capable of enhancing their alliance performance. *(For more information, please contact: Chia-Ling 'Eunice' Liu, National Chung Cheng University, Taiwan, R.O.C.: euniceliu@yahoo.com)*

Relational versus Transactional Alliance Strategy of Firms in International High-Tech Industries

Wiboon Kittilaksanawong, National Taiwan University

While extant studies mainly adopt transaction cost theory to determine whether firms in high-tech industries will enter into strategic alliance, this study takes into consideration their social networks. In particular, this paper discusses the governance choices of firms in high-tech industries that seek technological know-how externally.

We employed Taiwanese firms entering into the international high-tech strategic alliances in the major global biotechnology, computer equipment, electronics, and communication industry as the empirical setting. The results indicate that firms possessing higher degree of centrality as measured by degree, closeness, and eigenvector are likely to enter into a less hierarchical form of governance such as contractual agreement or other non-equity mode of strategic alliances. This phenomenon implies that firms possessing more social networks are likely to choose their governance mode based on the arguments from the relational perspective.

In addition, there is also evidence showing that these governance choices are significantly influenced by the institutional effects of the country where the alliance is formed. This paper also discusses the extent of social networks derived in terms of centrality and structural holes that potentially alter the determination of governance modes. These further challenging tasks are discussed as an opportunity for the future research. *(For more information, please contact: Wiboon Kittilaksanawong, National Taiwan University, Taiwan, R.O.C.: chunguoyu@gmail.com)*

Linking Boundary Spanners' Capability with a Firm's Relational Capital – A Cross-Country Study of Buyer-Supplier Relations

Chun Zhang, University of Vermont
 Fang Wu, University of Texas at Dallas
 John W. Henke, Oakland University

Boundary spanners of a multinational corporation serve as a bridge in facilitating communication and coordination between internal personnel and the organization's external environment. This study focuses on purchasing agents who, as one type of boundary spanners, engage in business-to-business transactions with suppliers. We propose and empirically test a model that links the purchasing agents' capabilities, i.e. strategic communication and expertise, with a multinational corporation's relational capital in two samples of suppliers from the North America and European Regions. Our findings suggest that purchasing agents' capabilities

enhance a multinational corporation's relational capital through facilitating information exchange with its suppliers, which results in suppliers' trust of the multinational corporation. The multinational corporation's relational capital, in turn, increases the suppliers' willingness to invest in this relationship. *(For more information, please contact: Chun Zhang, University of Vermont, United States: chun.zhang@uvm.edu)*

Session: 2.4.7 - Panel

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

IB's Next Frontier: Context. Bringing Context back in Cross-cultural Research

Presented On: July 2, 2008 - 14:20-15:35

Chair: Ellen A. Drost, California State University, Los Angeles

Pathways to General Theory: Indigenous Research, Replication Studies and Meta-Analyses
Klaus E. Meyer, University of Bath

Polycontextuality and Research Methodology: Issues and illustrations
Mary Ann Von Glinow, Florida International University

Academic International Research Teams: Research Logic and implementation Recommendations
Mary B. Teagarden, Thunderbird School of Global Management

"Set" Not "Bias": Response Set as a Contextual Variable
Romie Frederick Littrell, Auckland University of Technology

Spiral contextualization: An inclusive, integral perspective on cross-cultural research methodology.
Ellen A. Drost, California State University, Los Angeles

Cross-cultural research remains overshadowed by conceptual and methodological issues, and, in particular, by a lack of contextualization. It is this lack of contextualization that drives the most frustrating problem in cross-cultural research, the study-to-study variation in research findings. This panel addresses the powerful effects of context on research results and offers solutions on how context should be incorporated in cross-cultural research and theory building. Three approaches on contextualizing cross-cultural research will be discussed: the indigenous approach, the polycontextual approach and the collaborative approach. These approaches will be illustrated with examples from the field and with data from 21 countries. The panel will conclude with a solution methodology that describes how researchers can better incorporate "context" when conducting cross-cultural research.

Session: 2.4.8 - Competitive
Track: Track: 7 - FDI, Location, Firm-Location Interaction

Regional Considerations in FDI

Presented On: July 2, 2008 - 14:20-15:35

Chair: Stephen Nicholas, University of Newcastle

Liabilities of Foreignness and Regional vs. Global Expansion: A Longitudinal Approach

Thomas Osegowitsch, University of Melbourne
André Sammartino, University of Melbourne
Christian Geisler Asmussen, Copenhagen Business School

There is currently a debate in the international business literature as to whether the forces of economic globalization have led Multinational Corporations (MNCs) to increase their internationalization into global markets, or whether they are and will remain home-region oriented. While several studies have examined the distinction between MNCs' regional and global orientation in cross-sectional studies, few have looked at the dynamics of firms' internationalization paths in a longitudinal setting. This study attempts such a task, based on the argument that the liability of foreignness is decreasing over time, as technology evolves, economies become more integrated, and firms gain experience with international business. We confirm a hypothesis of increasing intra- and inter-regionalization with a panel data set of large multinationals from Europe and North America. Our findings suggest that the forces of globalization are equally powerful within and between regional blocks. Subsequently, in an exploratory analysis, we find that path-dependency and firm-specific advantages have explanatory power as to individual firms' internationalization trajectories. *(For more information, please contact: Christian Geisler Asmussen, Copenhagen Business School, Denmark: cga.smg@cbs.dk)*

Why Do MNCs Concentrate Their International Business at the Home Region?

Joachim Wolf, University of Kiel
Till Dunemann, University of Kiel
William G. Egelhoff, Fordham University

Several empirical studies have shown that the majority of MNCs are not active globally. Instead, they concentrate their foreign sales and assets to the home region. Although the empirical proof of most MNCs' home-region orientation is convincing, up to now, there is little theory which helps to understand why most MNCs limit their activities to the home region. The present paper wants to make a contribution to the development of a theory of home-region oriented MNCs. The paper compiles and integrates theories that exist in different fields of social sciences (economics, business administration, psychology, sociology) in order to develop a more multi-faceted picture why so many MNCs are acting on an intra-regional level. After discussing each theory, the paper derives a proposition which can be tested in subsequent empirical studies. In a short final section, the paper develops an explanatory model on the basis of the introduced theories, and it turns back to the question of the long-term character of MNCs' home-region orientation. *(For more information, please contact: Joachim Wolf, University of Kiel, Germany: wolf@bwl.uni-kiel.de)*

The Regional Interdependence of FDI Activity

Jean-Luc Arrègle, EDHEC

Paul W. Beamish, University of Western Ontario

Louis Hebert, HEC Montreal

This paper examines the regional interdependence of FDI localization decisions. We hypothesize that the level of FDI in a country is determined by a firm's prior FDI activity at both the country and regional level. We test these hypotheses on 1,076 Japanese MNEs that created 3,489 FDIs over the period 1996-2001. We use a multi-level Negative Binomial approach with three levels of analysis: FDI decisions in a country (49 countries), FDI decisions in a region (six regions), and FDI decisions at the headquarters level. In this way, we test the regional effects controlling for country and corporate dimensions. Our results strongly support the semi-globalization perspective in that the regional level effects are significant and different from the country level effects. Japanese MNEs have an FDI regional strategy and make arbitrage decisions between countries in the same region. *(For more information, please contact: Louis Hebert, HEC Montreal, Canada: louis.hebert@hec.ca)*

The Effect of Regional Integration on the Choice of Entry Mode

Sarah Vanden Bussche, Free University of Brussels

This study contributes to the debate on the impact of regional integration on MNE strategy. Regional integration will decrease the transaction costs of cooperative agreements, but the effects of this reduction will be cancelled out by the lower need for complementary local assets. Our sample is based on 5533 participations of Belgian firms. This paper classifies the host countries of Belgian MNEs in 6 different clusters according to their level of economic integration. Our results indicate that the higher the level of economic integration, the higher the chance that firms will choose wholly owned subsidiaries rather than joint ventures. *(For more information, please contact: Sarah Vanden Bussche, Free University of Brussels, Belgium: sarah.vanden.bussche@vub.ac.be)*

Session: 2.4.9 - Competitive**Track: Track: 5 - Structure, Capabilities, and Planning*****Strategy Processes within the MNC*****Presented On:** July 2, 2008 - 14:20-15:35**Chair:** Felipe Monteiro, London Business School*Determinants of Initiative Survival in Multinational Companies*

Marcus M. Keupp, University of St. Gallen

Oliver Gassmann, University of St. Gallen

This paper examines why subsidiary initiatives differ with respect to their probability of survival and identifies initiative-related factors which cause this difference. We thus intend to answer the research question: What determines the probability of survival of an initiative sent by a foreign R&D subsidiary? We develop six hypotheses which describe initiative characteristics upon which the survival or failure of a subsidiary initiative may depend. We then test these hypotheses using a sample of 1,116 subsidiary initiatives we collected from the global R&D organisation of a Swiss MNC.

We extracted these initiative data directly from the firm's initiative database. This research setting allowed us to collect unprecedented data on subsidiary initiatives. The findings show that initiative survival is positively influenced by social and geographical closeness of the sending R&D subsidiary to headquarters, by the initiative's alignment with the firm's core areas of activity, and by the manager's past success record, i.e. the number of already recognised initiatives sent by that manager. Moreover, initiatives that propose exploitative

innovation are more likely to survive than initiatives that propose exploratory innovation. However, inter-subsidiary collaboration is found to have no significant influence on initiative survival. *(For more information, please contact: Marcus M. Keupp, University of St. Gallen, Switzerland: marcus.keupp@unisg.ch)*

The Displacement of Strategy Thinking

Robert Demir, Stockholm University

The strategic management literature has long considered strategy thinking as an activity that takes place within formal organizational boundaries. In this paper, a new approach is suggested; displaced strategy thinking, which implies strategy-making with non-organizational members. By integrating current and widely accepted thoughts on strategy practices, experience, and trust, a tentative framework is built. To illustrate this framework, results from a multi-case questionnaire are discussed. All companies included in this study represent Swedish MNCs in China. The findings suggest that displaced strategizing may function as a way of overcoming limited personal experiences, revising overgeneralized strategy practices, and developing competitive strategies by help of interpersonal trust in heterogeneous group-settings. *(For more information, please contact: Robert Demir, Stockholm University School of Business, Sweden: rd@fek.su.se)*

Does International Strategy Matter?

Arjen van Witteloostuijn, University of Anwerp

Desislava Dikova, University of Groningen

Simon C. Parker, Durham University

Implicit in much international business research is the assumption that international strategy matters. In this paper, we directly address this pivotal assumption by applying a novel method for estimating multidimensional fit. This method can handle comprehensive organizational performance models with dozens of main (linear and non-linear) and (bivariate and higher-order) interaction effects, even with relatively small sample sizes. We develop a contingency logic tailored to international business, and anchoring on the role of international strategy. In so doing, we define seven categories of fit. For data about approximately 175 MNEs' subsidiaries we find evidence that supports international business' implicit assumption that international strategy matters. *(For more information, please contact: Desislava Dikova, University of Groningen, Netherlands: d.dikova@rug.nl)*

Foresight in Multinational Corporations

Riccardo Vecchiato, Politecnico di Milano

Claudio Roveda, Politecnico di Milano

The paper delivers the main findings of a research project we recently completed on the relationship between the future oriented analysis of the business environment ("strategic foresight") and the strategy formulation process in multinational corporations.

Today many companies put a lot of effort into monitoring and investigating the emerging trends and drivers of change in their industry and in the technological, economic, political and social landscapes that surround it. The analysis of these domains may encompass different levels: the corporate one, focussing on a broadly defined industry (e.g. energy industry); the business level, focussing on a business area or a narrowly defined sector (e.g., the gas industry); the operational one, focussing on a specific investment project.

However, up to now strategic literature omits to provide some best practices for framing strategic foresight in a synergistic process which encompasses and integrates the corporate, the business and the functional levels of the firm. This is the main issue we have taken into account through a field research, based on direct interviews with the top managers of some relevant multinational European and US firms that have established a

permanent foresight unit, in order to deliver support for long term strategy formulation. (For more information, please contact: Riccardo Vecchiato, Polytechnic of Milan, Italy: riccardo.vecchiato@polimi.it)

Session: 2.4.10 - Panel

Track: Track: 11 - FDI in and from Emerging Markets

China and the Multinationals: International Business and the Entry of China into the Global Economy

Presented On: July 2, 2008 - 14:20-15:35

Chair: Robert Desmond Pearce, Reading University

Discussant: Peter J. Buckley, University of Leeds

Swiss Foreign Direct Investment in China

Phillippe Gugler, University of Fribourg

Location and Strategy in the International Emergence of Chinese Firms

Marina Papanastassiou, American College of Greece and Copenhagen Business School

Knowledge Seeking of Foreign-Owned Subsidiaries in China

Feng Zhang, Rutgers University

MNE R&D in China and Local Input Initiatives and Roles

Si Zhang, Reading University

The panel includes papers on foreign MNEs' operations in China and the international operations of emerging Chinese MNEs. This provides for important insights on aspects of MNE expansion and behaviour as derived from challenging new contexts. It also permits us to address the ways in which MNEs play a mediating role in determining the extent and manner in which China's growth affects the wider global economy. Evidence will be provided on the strategic aims of MNEs' operations in China, confirming the dominance of local-market supply over the more publicised and contentious presence of cost-effective exports. But a central emphasis in the 'inward' papers is the very prompt commitment of MNEs to learning processes, R&D and innovation in China. The content of this will be elaborated in terms of the response to , and the implications for, the Chinese national system of innovation. Papers on the emergence of Chinese MNEs address two issues. Firstly, the sources of the ability of Chinese firms to 'go global' and the extent to which doing so reflects public institutions and policy. Secondly, the precise strategic roles played by Chinese subsidiaries in particular locations.

Session: 2.4.11 - Competitive

Track: Track: 7 - FDI, Location, Firm-Location Interaction

OLI and Beyond

Presented On: July 2, 2008 - 14:20-15:35

Chair: Lilach Nachum, Baruch College, CUNY

The Institutional Origins and Evolution of Dynamic Capabilities in Multinational Enterprises

Sarianna M. Lundan, University of Maastricht

This paper examines the concept of dynamic capabilities in the context of the OLI paradigm, concentrating specifically on recent theoretical developments in our understanding of the origins of the internalisation (I) and ownership (O) advantages of MNEs, and how these evolve over time and space. It also explores the links

between the institutional approach adopted in this paper, that draws heavily on the work of Douglass North, and that of contemporary evolutionary economists, such as Richard Nelson. *(For more information, please contact: Sarianna M. Lundan, University of Maastricht, Netherlands: s.lundan@os.unimaas.nl)*

Foreign Bank Penetration in Host Economies: the Impact of Governance

Roger Strange, King's College London
James Newton, University of Hong Kong

Recent developments in the study of the locational determinants of FDI have begun to recognize that governance variables may be of significance, in addition to the conventional attention paid to macroeconomic variables. This paper adopts a sector-specific focus in order to investigate how institutions and other industry-specific variables act as determinants of FDI. The industry in question is the banking industry, and has been selected for two main reasons. The first is that the IB literature has tended to neglect service industries in studies of FDI determinants. The second is that banking is an 'institutionally-intensive activity', and thus seems to provide an excellent context in which to investigate the impact of institutional variables. Using a panel dataset comprising data on 55 developed, developing and transition economies, we have confirmed that per capita GDP, FDI inflows, and exports of goods all have positive impacts upon foreign bank penetration. Furthermore, we find that voice and accountability, regulatory quality, and the transparency of financial institutions also have positive impacts upon foreign bank penetration, along with stock markets that provide inadequate financing. And, counter-intuitively, we find a negative and very significant impact for the rule of law. *(For more information, please contact: Roger Strange, King's College London, United Kingdom: roger.strange@kcl.ac.uk)*

Finance-specific Factors as Drivers of Cross-border Investment, Mergers and Acquisitions

Jens Forssbaeck, Copenhagen Business School, Denmark and Lund University
Lars Oxelheim, Lund University / IFN

In this paper we empirically test if traditional FDI models underplay the role of financial factors as drivers of international investment and production. We hypothesize that financial strength generates advantages that can be exploited through cross-border investment activity. The hypothesis is tested in a series of binary-response models, using a sample of 1379 European non-financial firms' international acquisitions. Controlling for traditional firm- and target-country-specific FDI determinants, we find strong evidence that financial factors play a significant role in explaining cross-border investment. We conclude that without explicit consideration of the financial dimension, the pattern of FDI cannot be properly understood. *(For more information, please contact: Jens Forssbaeck, Lund University / Copenhagen Business School, Sweden: jens.forssbaeck@fek.lu.se)*

Internationalization, OLI Advantages and Performance of Small- and Medium-sized Enterprises in the U.S. Biopharmaceutical Industry

Lei Li, University of Portland
Dan Li, Indiana University
Weilei (Stone) Shi, University of Pittsburgh

This study investigates multinationality-performance relationship in the context of single business U.S. biopharmaceutical SMEs. We find that geographic dispersion of both foreign subsidiaries and alliances negatively affects SME performance, albeit to a varying extent. Firm-specific technological advantages alleviate the negative performance impact of geographic dispersion of both foreign subsidiaries and alliances while firm-specific marketing advantages seem to mitigate the negative impact of only geographic dispersion of foreign alliances. We also address the direct and joint effects of OLI advantages on SME performance systemically. In addition, our results reveal some interesting differences regarding multinationality-performance relationship

between the venturing stage and development stage of SME internationalization. (For more information, please contact: Lei Li, University of Portland, United States: lil@up.edu)

Session: 2.4.12 - Competitive

Track: Track: 5 - Structure, Capabilities, and Planning

Top Management Teams and the MNC

Presented On: July 2, 2008 - 14:20-15:35

Chair: Kaye Schoonhoven, University of California Irvine

The Effects of Top Management Team and Board Nationality Diversity and Compensation Systems on Firm Performance

Sabina Nielsen, Copenhagen Business School

Bo Bernhard Nielsen, Copenhagen Business School

Using the complementary lenses of upper echelons and firm internationalization theories and combining them with executive compensation theory, this study tests the proposition that the increased complexity resulting from firm internationalization will require an alignment between top management team and board composition and compensation. In particular, we assert that the degree of nationality diversity of the top management team and board exerts potentially differential impact on firm performance depending, in part, on the level of executive compensation. Results from empirical tests on a sample of Swiss publicly listed companies support this assertion, suggesting that firms manage the additional complexity of internationalization by increasing the degree of nationality diversity of top management teams and boards. However, our findings also point to the importance of matching executive composition and compensation as we find growth of internationalization of top management teams and boards to be negatively directly related to performance, whereas higher levels of executive compensation acts as both moderator and mediator, exhibiting positive influence on performance. (For more information, please contact: Sabina Nielsen, Copenhagen Business School, Denmark: sta.int@cbs.dk)

The Moderating Effect of Individualism/Collectivism on the TMT Heterogeneity-MNE Performance Relationship

Adrian Gil, University of Texas at El Paso

Lance Eliot Brouthers, University of Texas at El Paso

Wade M Danis, Georgia State University

This study empirically examines the relationship between top management team (TMT) heterogeneity and firm performance for a sample of multinational enterprises' (MNEs) top management teams (TMTs) from 25 non-U.S. countries. Extending Hambrick and Mason's (1984) upper echelons perspective, we hypothesize that Hofstede's measure of individualism-collectivism moderates the posited negative relationship between top management team heterogeneity and firm performance. Our findings suggest that TMTs from highly individualistic cultures typically strengthen the negative relationship between heterogeneity and performance while TMTs from highly collectivistic cultures tend to weaken the negative relationship between TMT heterogeneity and firm performance. Thus, greater diversity among TMTs in highly collectivistic cultures appears to improve firm performance, while greater diversity among TMTs in highly individualistic cultures appears to weaken performance. Implications, limitations and future research directions are discussed. (For more information, please contact: Wade M Danis, Georgia State University, United States: wdanis@gsu.edu)

Can CEO Compensation and Power Drive Decisions on the Internationalization of MNCs?

Chengli Tien, National Taiwan University

Chengmin Chuang, National Taiwan University

This paper extends agency-based research to examine the role of CEO compensation schemes and their relationship to the internationalization of multi-national corporations (MNCs). The results indicate that CEO pay at all levels (short-term, long-term, total pay, and pay leverage) is negatively related to firm internationalization. Furthermore, CEO duality can positively moderate the effect of CEO pay at all levels on firm internationalization, and that CEO tenure can positively moderate the effect of CEO total pay on firm internationalization. The findings provide mixed support for the agency perspective on the impact of CEO compensation schemes at all levels to firm internationalization and the moderating impact of CEO power (CEO duality, directorship and tenure). As such, it suggests new avenues of research for both corporate governance and globalization efforts of MNCs, as well as for the agency perspective. *(For more information, please contact: Chengli Tien, National Taiwan University, Taiwan, R.O.C.: cltien888@gmail.com)*

Outside Board Director, Experiences and International Acquisition Performance

Jiun-Shiu Chen, McNeese State University

Peter Wright, University of Memphis

This paper investigates the impact of outside board directors on international acquisition performance. Previous agency-based studies of boards of directors focused on factors relevant to board vigilance. However, relying solely on director vigilance may be limiting because vigilance without appropriate director experience and firm specific knowledge is unlikely to ensure effective monitoring of management. This study argues that boards comprised of vigilant directors(outside board directors) as well as directors endowed with appropriate experiences and firm specific knowledge not only will be better monitors but also more useful advisors to top managers. The results show that both international acquisition experience and international experience have a positive impact on performance in international acquisition performance. Unexpectedly, the study found that the number of independent outside directors has a significant negative impact on performance in international acquisition performance.

(For more information, please contact: Jiun-Shiu Chen, McNeese State University, United States: jschen@mcneese.edu)

Session: 2.4.13 - Competitive**Track: Track: 3 - Alliances and Inter-Firm Relationships*****Alliances and Transactional Capabilities*****Presented On:** July 2, 2008 - 14:20-15:35**Chair:** Frank McDonald, Bradford University*The Role of Trust and Commitment in Knowledge Acquisition*

Rauni K Seppola, University of Vaasa

In rapidly changing business environment access into market knowledge has become a key success factor. The most recent knowledge can be obtained from the markets built up of interdependent relationships. Increasingly long-term business relationships are emphasized due to their beneficial economic and social outcomes. Besides economic rewards social outcomes of exchange are even more important. Trust is needed in every human exchange. Social aspects are embodied in trust tying partners more closely together resulting interdependence between actors. This makes switching more difficult creating competitive advantage. In

contrast to trust based on past experiences, commitment captures future orientation. Most importantly trust and commitment are both needed in business relations embedded in uncertain environment.

This paper examines relation between trust and commitment and market knowledge acquisition in the context of international business relationships. The data consisted of a sample of 280 Finnish exporting firms and their business customers. The LISREL 8.5 (Jöreskog and Sörbom 1993) was used. The results indicate that trust is an important factor influencing market knowledge acquisition, which has two dimensions, namely: experiential business and experiential institutional knowledge. In addition commitment has strongest influence on business knowledge. Nevertheless, the effect of trust remains the most important factor as it influences both dimensions of knowledge

(For more information, please contact: Rauni K Seppola, University of Vaasa, Finland: rauni.seppola@uwasa.fi)

Transaction Cost, Firm Capability and Inter-firm Relationship

FanChan Tai, National Taiwan University

This research is intended to scrutinize how firm capability and transaction cost related factors jointly determine the degree of dedication in inter-firm relationships; our arguments are stronger firms (firms with higher capability) will have a better chance of being engaged in a more controlled/ dedicated relationships, whereas on a product level, higher transaction cost also triggers higher dedication in relationships. The inspected dedication of inter-firm relationships covers the complete spectrum from subsidiary, strong-tie, weak-tie to arm-length exchange (market). The hypotheses are tested through a dataset obtained from tier-1 automotive suppliers in China which provides a comparatively large sample size with ample mixture in firm capabilities and different compositions of transaction cost. The test result in a large degree vindicates our arguments and the research contributes to demonstrate that the control/transaction cost considerations are intertwined with resource/capability sharing motivations in the determination of dedication in inter-firm relationships where important managerial implications are derived and discussed. *(For more information, please contact: FanChan Tai, National Taiwan University, Taiwan, R.O.C.: d92724004@ntu.edu.tw)*

Strategic Assets, Financial Contracting and Equity Share Contribution in International Joint Ventures

Sougand Golesorkhi, Manchester Metropolitan University

Mike Bowe, Manchester Business School

This analysis empirically investigates that agency problems associated with monitoring specialised productive activities influence the negotiated distribution of equity between collaborating partners at the inception of an international joint venture (IJV). The central contention is that a primary determinant of the division of equity capital is the requirement for each contracting partner to guarantee their subsequent value-enhancing productive activities which determine the future success of the IJV. Specifically, the analysis argues that the inherent characteristics of the expertise and/or nature of the strategic assets that a firm contributes to an IJV may make it difficult for that firm to guarantee (ex ante) its productive contribution during the contract negotiation stage, necessitating the provision of equity related guarantees. Results from a sample of 194 UK-based IJVs support the view that owners of strategic assets whose potential contribution to the success of the IJV are the most difficult to measure ex ante will be contracted a higher share of equity capital, thereby serving to partially guarantee their actions. *(For more information, please contact: Sougand Golesorkhi, Manchester Metropolitan University, Business School, United Kingdom: s.golesorkhi@mmu.ac.uk)*

Project Finance Contracting, Transaction Costs and Capital Structure

Barclay Edward James, University of Illinois at Urbana-Champaign

I develop a transaction costs-based theoretical framework for understanding how variation in project finance off-take arrangements affects the capital structure of project firms. In an organizational form called project finance, firms create legally-separate and bankruptcy-remote project companies responsible for managing over

several years or decades a single asset such as a mine or power plant typically worth hundreds of millions or billions of US dollars. Project off-takers contract with the project company to purchase project output such as gold extracted from a mine or electricity produced from a power plant at pre-set prices and quantities over the life of the project. To the extent that transaction hazards related to project off-take arrangements affect the likelihood of project failure and, thus, non-payment to creditors, they will also affect project capital structure and require more equity from project sponsors. In a sample of 202 project finance companies announced in 46 countries from 1990-2006, I observe effects on project capital structure related to different types of off-take arrangements. Project finance arrangements with more than one off-taker and thus less opportunistic risk associated with bilateral dependency exhibit higher project leverage. Project firms with off-take contracts that provide a more guaranteed revenue stream also exhibit higher leverage. At the broader country-institutional level, projects located in countries with higher sovereign debt ratings exhibit higher leverage. *(For more information, please contact: Barclay Edward James, University of Illinois at Urbana-Champaign, United States: bejames@uiuc.edu)*

Session: 2.4.14 - Panel

Track: Track: 6 - Learning, Knowledge and Innovation

Innovation as Necessity in International Corporations

Presented On: July 2, 2008 - 14:20-15:35

Chair: Bruce McKern, Stanford University and Sydney University

Innovation as Necessity in International Corporations

Bruce McKern, Stanford University and Sydney University

Sea-Jin Chang, Korea University

Marco Milani, Indesit Company

Aldo Monteforte, Founder, Terra Nova Partners

The focus of the panel is the processes employed to foster innovation in global corporations.

As Porter argues, innovation is the long-term source of competitive strength, both for companies and for countries. The processes employed by firms to stimulate innovation are a key source of firm specific advantage and have been studied from a number of perspectives, including an evolutionary approach focused on internal processes (Burgelman, 2005; Takeuchi and Nonaka, 1995). By comparison with the internal venturing process, venture capital relies on the marketplace to provide variation, in the form of start-up companies seeking capital for growth. The panel members will engage in a discussion about the application of these frameworks to innovation in two successful Asian companies, which are known for their advances in new technologies, and by contrast, in one of Europe's most admired companies which operates in a mature industry.

(For more information, please contact: Bruce McKern, Stanford University/Sydney University, Australia: bmckern@stanford.edu)

Session: 2.4.15 - Panel

Track: Track: 10 - Outsourcing, Offshoring, Supply Chain

The Global Knowledge Sourcing: Micro and Macro Issues in Offshoring Decisions

Presented On: July 2, 2008 - 14:20-15:35

Chair: Grazia D. Santangelo, University of Catania

Discussant: Arie Y. Lewin, Duke University

Offshoring and the Globalization of Innovation: Towards a New IB Theory
Silvia Massini, University of Manchester

Geography and Innovation: Disaggregation and Integration
Ram Mudambi, Temple University

Is Outsourcing What's Cracked up to Be or Just a Fad?
Masaaki Kotabe, Temple University

The Impact of International Offshoring of R&D on the Home Country's Knowledge Creation. Preliminary Evidence from OECD Countries
Lucia Piscitello, Politecnico di Milano
Grazia D. Santangelo, University of Catania

This panel proposal concerns a round table discussing issues related to global knowledge sourcing and related outsourcing decisions. In particular, the panel intends to propose a multi-level and coevolutionary perspective on the globalization of innovation and the implications for IB and IM. Within this conceptual framework micro and macro specific issues are analyzed: the former refers to the firm decisions of control and location of the various parts of the value chain as well as to the relationships between outsourcing and competence development inside the firm, the latter concerns the impact of the offshoring of R&D activities on the extent and sectoral focus/mix of knowledge production in the home country, over time.

Session: 2.4.16 - Competitive

Track: Track: 2 - Economics, Finance, Accounting, Taxation

FDI, MNCs and Competition in the Global Economy

Presented On: July 2, 2008 - 14:20-15:35

Chair: Daniel Van Den Bulcke, University of Antwerp

Entry and Exit of Firms in a Global Economy: A Cross Country and Industry Analysis
Italo Colantone, Katholieke Universiteit Leuven
Leo Sleuwaegen, Katholieke Universiteit Leuven and Vlerick Leuven Gent Management School

This paper examines the impact of international trade on firm entry and exit in Europe. The results point to strong displacement exit and less creative replacement entry in industries characterized by increasing import competition. Moreover, the evidence suggests strong selection and higher entry barriers in industries characterized by higher openness through the export channel. The negative effects of trade openness lose importance if the increasing trade exposure concerns intra-industry trade, mainly coupled with international

sourcing within the industry. *(For more information, please contact: Italo Colantone, Katholieke Universiteit Leuven, Belgium: Italo.Colantone@econ.kuleuven.be)*

Propping or Tunnelling? Empirical Evidence from Japanese Keiretsu

Sandra Dow, UQAM

Jean McGuire, Louisiana State University

We compare the response of horizontal and vertical keiretsu to the changing economic and regulatory climate in Japan from 1987 to 2001. Both the popular press and academic papers have laid the blame for the prolonged recession in Japan upon the inertia of the horizontal Keiretsu. Our evidence supports this. Moreover, we find that some firms which strengthened their keiretsu affiliation over the 1992-1997 period were propped up by fellow keiretsu members, whereas weakly affiliated firms, as well as those which diminished their adhesion to the group may have had their profits tunnelled. This combination of propping and tunnelling undoubtedly slowed economic growth in Japan throughout the nineties and into the 21st century. *(For more information, please contact: Sandra Dow, UQAM, Canada: dow-anvari.sandra@uqam.ca)*

What Do Investors Abroad Bring Back Home? Evidence from British Low- and Medium-Tech Industries

Nigel Driffield, Aston University

Michael Henry, Aston University

Victoria Kravtsova, Vienna Institute for International Economics

Yama Temouri, Aston University

This paper presents some analysis of the effects that outward FDI can have on productivity and in the home country. We focus on sectors that are seen as being low, or medium/ low technology sectors, and using firm level data for the UK, compare a number of different measures of FDI, and a number of different host locations. The results find some support for outward FDI generating productivity growth at home, though largely this is associated with resource reallocation rather than technology transfer. We also find evidence that these effects go beyond the firm in question, but that growth effects are also experienced in other firms in the same sector as the investment. In the case of FDI from the UK to Western Europe, we also find evidence of technology sourcing, that is that FDI from the UK to countries such as Germany, Switzerland or Sweden is accompanied by long term productivity growth, both within the MNE but also within its home industry. *(For more information, please contact: Nigel Driffield, Aston university, United Kingdom: n.i.driffield@aston.ac.uk)*

Is National Culture a Missing Piece of the Dividend Puzzle?

Liang Shao, University of South Carolina

Chuck C.Y. Kwok, University of South Carolina

Omrane Guedhami, University of South Carolina

The dividend puzzle (firms sustain various dividend policies) also prevails internationally and is far from solved even after tax and legal systems are taken into account. By integrating national culture (Schwartz's condensed national cultural dimensions, Conservatism and Mastery) into classic finance theories, we hypothesize that culture as an important piece of the puzzle through agency, signaling effect, 'bird in hand' and pecking order theories. Empirical tests using a sample of 2,534 firms from 22 countries provide evidence of the effects of culture on dividend policy: firms in high Conservatism (Mastery) countries adopt higher (lower) dividends. These effects are robust to specifying alternative proxies for culture. *(For more information, please contact: Chuck C.Y. Kwok, University of South Carolina, United States: ckwok@moore.sc.edu)*

Session: 2.5.1 - Panel

Track: Track: 1 - The Context of Global Business

The European Union at Fifty -- Foreign Direct Investment in the European Union: Achievements, Challenges and Corporate Responses

Presented On: July 2, 2008 - 16:05-17:20

Chair: Daniel Van Den Bulcke, University of Antwerp

Overview of Fifty Years of Direct Investment Issues in the European Union
Daniel Van Den Bulcke, University of Antwerp

A Changing Interaction between the Evolving Economic Integration in Europe and Inward and Outward Direct Investment - Fifty Years After the Publication of 'American Investment in the British Manufacturing Industry'
John Dunning, Rutgers University and Reading University

Europe at Fifty: The Co-Evolution of European Integration and Company Strategies from a Southern Country Perspective.
Vitor Corado Simoes, Technical University of Lisbon

The Effects of Institutional Reforms on European Union Inward and Outward FDI: The Spanish Case
Juan Jose Duran, Autonomous University of Madrid

Foreign and European Direct Investment in and from New Member States.
Marjan Svetlicic, University of Ljubljana

EU Direct Investment Relations with Emerging Economies: The Case of China
Daniel Van Den Bulcke, University of Antwerp

The panel intends to concentrate on the foreign direct investment (FDI) trends and the regulatory issues on Multinational Enterprises of the European Union (EU). Both inward and outward investment and disinvestment from the EU countries will be dealt with.

John Dunning's seminal book 'American Investment in the British Manufacturing Industry' which was published in the year that the EU got started, offers an opportunity to look back at the role of US Multinationals in Britain and the European Union and to find out to what extent the challenges, on the one hand for European and other enterprises and on the other hand for EU host and home countries have changed compared to half a century ago.

During its 50 years of existence the European Union has expanded from 6 to 27 countries. The widening of the EU occurred in six waves, of which the most important ones (Britain and Scandinavian countries, Southern Europe, East and Central Europe) had important consequences for both inward and outward investors. The effects of those territorial extensions for inward FDI, disinvestment and outward investment will be taken into consideration in presentations about both the Newest Member Countries, Southern Europe and the original founding nations. While the EU has attracted investment from outsiders such as the US, Japan and more recently from emerging countries such as China and India, the European Union, together with its member countries, has tried to encourage and facilitate outward investment. The panel will discuss the EU's investment policy and presence in Latin America and Asia. In this latter continent the focus will be on China.

Session: 2.5.2 - Competitive
Track: Track: 7 - FDI, Location, Firm-Location Interaction

Aspects of Location in FDI

Presented On: July 2, 2008 - 16:05-17:20

Chair: John A. Volkmar, Otterbein College

Acquisitions and Greenfield Ventures: A Real Options Perspective

Desislava Dikova, University of Groningen
 Keith D. Brouthers, King's College London
 George Nakos, Clayton State University
 Lance Eliot Brouthers, University of Texas at El Paso

Although acquisitions are a popular way to enter new markets, empirical evidence tends to indicate few benefits accrue to acquiring firms. In this paper we suggest that acquisitions are not always the best way to enter new international markets. We use real options reasoning to explain where firms should and should not employ acquisitions. We theoretically and empirically test these real option based arguments on a set of EU firms entering Eastern Europe. We find that acquisitions are not always the best way to enter new international markets and that firms whose acquisition decisions can be explained by real option concepts tend to create better performing subsidiary units. *(For more information, please contact: Desislava Dikova, University of Groningen, Netherlands: d.dikova@rug.nl)*

Location of Foreign Direct Investment in China: A Spatial Dynamic Panel Analysis by Country of Origin

Eunsuk Hong, Queen's University Belfast
 Laixiang Sun, University of London
 Tao Li, Renmin University of China

China's emergence as a global trade power is characterized by the dominance of foreign-funded firms in Chinese exports. This paper develops a spatial dynamic panel-data model to explain the salient features of FDI locational and temporal dynamics across Chinese provinces over 1990-2002. While the traditional determinants remain valid when incorporating spatial interdependence and the specification by country of origin, the neighboring-province FDI and GDP show significant impacts on host province FDI. The directions of such impacts are consistent with the FDI motivation of "agglomeration with regional trade platform" rather than "horizontal" as implicitly assumed in the previous works. *(For more information, please contact: Eunsuk Hong, Queen's University Belfast, United Kingdom: e.hong@qub.ac.uk)*

Global Cities and Multinational Corporation Investment

Anthony Goerzen, University of Victoria

There has been very little research on the interrelationship between global cities and multinational corporation (MNC) investment behaviour despite the fact that the concept of the world city has become an important topic in a number of diverse literature streams. This research, therefore, is designed to analyze the underpinnings of the world city literatures to provide a bridge to management research. Subsequently, I examine a large data set on MNC investment location to provide a nuanced description of the connection between global cities and MNC investment. I find that MNC investment appears to be clearly centred on global cities and that knowledge spillovers, industry turbulence, and proprietary assets seem to be systematic determinants of location choice. *(For more information, please contact: Anthony Goerzen, U of Victoria, Canada: agoerzen@uvic.ca)*

Session: 2.5.3 - Competitive**Track: Track: 3 - Alliances and Inter-Firm Relationships*****Alliances and Firm Performance*****Presented On:** July 2, 2008 - 16:05-17:20**Chair:** Hemant Merchant, Florida Atlantic University*Network Development and Foreign Subsidiary Performance*

Jing'an Tang, Sacred Heart University

This study investigates the development of foreign peer network and its impact on foreign subsidiary performance. Foreign peer network (FPN) is a network composed of foreign subsidiaries having business commonality and co-locating in the same geographic market in the host country. FPN is both a social and an industrial network and formed in parallel to the foreign firms' entry into and exit from the foreign market. It is the social and economic capital associated with the development of this network that explains, albeit partially, the differential foreign subsidiary performance. We argue that the FPN development has an inverted-U-shaped curvilinear relationship with subsidiary survival while a U-shaped relationship with subsidiary profitability. We found support for the arguments in an empirical analysis of nearly 10,000 foreign subsidiaries founded by Japanese MNEs in 41 countries. *(For more information, please contact: Jing'an Tang, Sacred Heart University, United States: tangj3@sacredheart.edu)*

Partners' Nationalities and Performance of International Joint Ventures: The Moderating Role of Market-Focus

Yu-Ching Chiao, National Chung Hsing University

Chwo-Ming Joseph Yu, National Chengchi University

Tzu-Ju Ann Peng, Providence University

This study examines how Taiwanese firms engaging in various types of international joint ventures (IJVs) have performed in China, and how different types of market focus affect IJVs' performance. Based on the IJV classification scheme suggested by Makino and Beamish (1998), this study outlines and examines three categories of IJVs, according to partner nationality: Taiwan-Taiwan (T-T) JVs, Taiwan-Local (T-L) (China) JVs, and Taiwan-Foreign (T-F) (third-country) JVs. We propose two hypotheses, with associated sub-hypotheses, to examine the major effects of partner nationality on performance, as well as the moderating effects of local market focus on the relationship between partner nationality and performance. Through the analysis of 236 Taiwanese JVs in China, we find that (1) T-L JVs perform better than T-T JVs and T-F JVs; (2) T-L JVs focusing on the local market do not perform better than those focusing on foreign markets; and (3) T-F JVs focusing on foreign markets perform better than those focusing on the local market. *(For more information, please contact: Yu-Ching Chiao, National Chung Hsing U., Taiwan, R.O.C.: chiaoy@dragon.nchu.edu.tw)*

International Joint Ventures and Stock Market Reactions: Impact of Strategy, Structure and Size

Ajai S Gaur, Old Dominion University

Hemant Merchant, Florida Atlantic University

This paper examines how the competitive strategy adopted by a JV and the governance structure of a JV, individually and jointly determine the value of the JV for the parent firm. We also investigate how the size of the parent firm affects the relationship between JV strategy / JV structure and the shareholder value creation for the parent firm. In doing so, we bring together arguments from the strategic behavior and the transaction cost economics. We base our analysis on a sample of 206 international joint ventures between American and foreign firms, located in 41 countries. Our findings suggest that an integrated framework is indeed useful in

assessing the capital market response of JV formation. *(For more information, please contact: Ajai S Gaur, Old Dominion University, United States: agaur@odu.edu)*

Managing Inter-firm Relationships for Service Export Success

Vinh Nhat Lu, University of Adelaide
Pascale G. Quester, University of Adelaide
Christopher J. Medlin, University of Adelaide

The global competition is increasingly intense and dynamic. To maintain their strategic foothold and competitive advantage, international firms operating in business-to-business markets must successfully maintain a network of cross-border relationships. However, several issues remain largely unresolved in the literature, especially in relation to how to best govern international inter-firm relationships whilst achieving optimal international performance. No single study investigates the impact of managing international relationships on the international successes from the service exporter's perspective, despite the important contribution of service firms to global and national economies. This study investigates the role and trade-off between contractual governance and relational governance in service export success. Data from the in-depth interviews with executives of service firms indicate that contractual arrangements and relational norms, including trust, commitment, information exchange, flexibility, and conflict harmonization, significantly impact the firms' export performance. In addition, the research reveals these governance mechanisms work as complements in the firms' management of cross-border inter-firm relationships. Based on the research findings, the authors develop a conceptual framework depicting the governance mechanisms as key success drivers of service export performance. The study concludes with managerial implications for international business practitioners, as well as directions for future research. *(For more information, please contact: Vinh Nhat Lu, The University of Adelaide, Australia: vinh.lu@adelaide.edu.au)*

Session: 2.5.4 - Competitive

Track: Track: 1 - The Context of Global Business

Bringing Political Science Back Into International Business

Presented On: July 2, 2008 - 16:05-17:20

Chair: Bennet A. Zelner, Duke University

Deducing Varieties of Capitalism from Coalitional Politics

Richard Wayne Carney, RSIS, NTU

This paper offers an innovative approach to explaining the varieties of capitalism observed around the world while remaining consistent with Hall and Soskice's (2001) perspective. Specifically, I derive seven capitalist ideal-types based on distributive welfare gains to those actors representing an economy's main factors of production - land, labor, and capital. A distinct benefit of the approach offered here is that it can be used to identify which capitalist attributes newly industrializing countries, such as China, are likely to exhibit as their economies grow and mature. *(For more information, please contact: Richard Wayne Carney, RSIS, NTU, Singapore: iscarneyr@ntu.edu.sg)*

Open for Business? Political Competition and the Regulation of Foreign Direct Investment

Sinziana Dorobantu-Popa, Duke University

The paper examines the effects and origins of national policies governing the entry and operations of foreign companies in developing and transition economies. Despite a general trend towards the liberalization of rules

targeting the movement of goods and capital, significant differences endure among countries' regulatory restrictions and incentives for foreign direct investment. The first part of the paper investigates the effects of such policies on FDI flows. The second part of the paper proposes a theoretical framework that explains governments' choices of national policies regulating investment by foreign firms. It builds upon a combination of economic insights into the distributional consequences of foreign direct investments and theories of political coalitions critical to leaders' survival in office, and advances the central contention that democracies are more likely than non-democratic regimes to adopt policies favorable to foreign investment. Empirical evidence from a large sample of countries supports the hypothesis. *(For more information, please contact: Sinziana Dorobantu-Popa, Duke University, United States: Sinziana.Popa@duke.edu)*

Political and Competitive Rivalry in Developing-Country Sovereign Risk Assessment

Paul M. Vaaler, University of Minnesota

Gerry McNamara, Michigan State University

We develop and test a theoretical framework for understanding how two forms of rivalry –one related to electoral politics and the other related to market competition — shape risk assessments by firms active in developing countries ("DCs"). Political business cycle ("PBC") theory suggests that incumbent politicians, particularly incumbent politicians with a left-wing orientation, have incentives to implement expansionary economic policies during election years even if such policies impair sovereign government finances and creditworthiness afterwards. Electoral rivalry and the PBC-related economic policies it prompts increases risk to firms, but strategy research suggests that this increase will be moderated due to rivalry among firms in the same DC market segment. We test hypotheses derived from this integrative theoretical framework with a sample of 458 ratings of sovereign government creditworthiness published by five major credit rating agencies for 18 DCs holding 35 presidential elections from 1987-2000. We find that: 1) agency ratings decrease during election years in DCs with left-wing incumbents; but 2) this electoral rivalry effect on risk diminishes as the number of agencies vying for DC rating business increases. Market rivalry among agencies and, perhaps, other firms doing business in DCs can negate risk effects related to electoral rivalry among politicians. *(For more information, please contact: Paul Vaaler, University of Minnesota, United States: vaal0001@umn.edu)*

Session: 2.5.5 - Competitive

Track: Track: 7 - FDI, Location, Firm-Location Interaction

Considering Market Entry

Presented On: July 2, 2008 - 16:05-17:20

Chair: Niron Hashai, Hebrew University

Competition, Transnational Learning, and Foreign Entry Strategy

Jiatao Li, Hong Kong University of Science and Technology

Jing Yu (Gracy) Yang, University of Sydney

Drawing on organization theory perspectives, this study investigates how multinational corporations based in different home countries influence each other's foreign entry decisions. The proposition that the subsidiaries of multinationals from different countries constitute a reference environment and that this environment provides important information for potential new entrants was tested with panel data on foreign entries from 55 home countries into China from 1979 to 1995. The rate of new entries from a focal home country was found to correlate with the number of foreign subsidiaries already established by firms from other home countries with cultures similar to that of the focal home country. This was interpreted as reflecting trans-national learning and competition. Uncertainty derived from home-host country trade ties and cultural differences was shown to

moderate this trans-national mimetic learning. *(For more information, please contact: Jing Yu (Gracy) Yang, The University of Sydney, Australia: g.yang@econ.usyd.edu.au)*

When Do Firms Enter Risky Foreign Markets?

Lailani Laynesa Alcantara, East Texas Baptist University
Hitoshi Mitsuhashi, Keio University

Avoiding foreign markets with high levels of risk has been emphasized in the international expansion literature. However, some firms, rather than avoid risks, enter risky foreign markets. In this study, we develop a theoretical framework for the prediction of entry into a risky foreign market and empirically test a model that accounts for conditions under which firms enter into foreign markets with high levels of demand risk and political risk. Using the longitudinal international expansion of firms in the Japanese automobile parts industry, we found that firms are more likely to enter risky foreign markets when they are fraught with greater competition in the home market, when they are independent or not affiliated with a business group and when their experience in operating abroad is heterogeneous. *(For more information, please contact: Lailani Laynesa Alcantara, East Texas Baptist University, United States: lalcantara@etbu.edu)*

The Impact of Uncertainty and Irreversibility on Decisions to Enlarge Foreign Subsidiaries

Jan Hendrik Fisch, University of Augsburg

This paper develops a real options model to reproduce the decision of enlarging a new foreign subsidiary by subsequent investment. The model is tested by a panel of 1148 subsidiaries in 22 host countries. The findings complement the traditional model of firm internationalization: Rather than abiding by an incremental pattern of investment, internationalizing firms seem to keep foreign investment strategies flexible and build up their subsidiaries contingent upon the interaction of economic volatility and irreversibility of investment. However, the moderating effect of irreversibility on the relationship between uncertainty and investment may not hold for downside risks such as political instability. *(For more information, please contact: Jan Hendrik Fisch, University of Augsburg, Germany: fisch@wiwi.uni-augsburg.de)*

Board Composition, Managerial Incentives and the Choice between International Joint Ventures and Foreign Acquisitions

Deepak K. Datta, University of Texas at Arlington
Martina Musteen, San Diego State University
Pol Herrmann, Iowa State University

Drawing on agency theory, corporate governance, and international business literatures, we develop arguments linking board composition and managerial incentives to a firms' choice between joint ventures and acquisitions in accessing foreign markets. Findings, based on a sample of 181 international joint venture and 402 acquisitions entries by relatively non-diversified firms in the U.S. manufacturing sector in the period 1991-98, indicate that a higher proportion of outside directors, inside director ownership and proportion of CEO compensation linked to long-term performance is associated with the choice of acquisitions. On the other hand, firms with CEO duality exhibited a greater preference for joint ventures in accessing foreign markets. *(For more information, please contact: Martina Musteen, San Diego State University, United States: mmusteen@mail.sdsu.edu)*

Session: 2.5.6 - Competitive

Track: Track: 4 - Subsidiary Evolution and Strategy

Subsidiary Evolution: Competences and Capabilities

Presented On: July 2, 2008 - 16:05-17:20

Chair: Heather Berry, University of Pennsylvania

Innovation Characteristics, Transfer Management and Headquarter Involvement in the Transfer of Innovations Between MNE Subsidiaries

Henrik Dellestrand, Uppsala University

This paper explores headquarter involvement in the transfer of innovations between subsidiaries in multinational enterprises (MNEs), i.e. intra-MNE innovation transfer. A model based on innovation types and characteristics as well as different relational modes employed by the sending and receiving subsidiaries is tested on a sample of 169 specific innovation transfer projects in 23 MNEs from Europe, Asia and the United States. The findings indicate that headquarters involves themselves in the innovation transfer when the innovation is perceived as important and complex, the type of innovation subject to transfer is not important. Instead it is the characteristics of the innovation that is affecting headquarter involvement as well as how the subsidiaries decides to organize the transfer in terms of relational management, i.e. face-to-face meetings or non-personal interaction. The findings indicate how MNE subsidiaries should communicate with headquarters in order to gain their attention, thus having impact on MNE subsidiary strategy. *(For more information, please contact: Henrik Dellestrand, Uppsala University. Dept. of Business Studies, Sweden: henrik.dellestrand@fek.uu.se)*

Knowledge and Financial Resource Flows in MNCs: An Empirical Study of Parent Firms' Transfers to Subsidiaries

Qin Yang, Robert Morris University

Klaus E. Meyer, University of Bath

Resources flows from their MNC parent firms are very important for foreign subsidiaries in transition economies. Due to the substantial costs of transfer and resource limitations, parent firms are diligent in selecting subsidiaries that will receive resource inflows. There is a limited amount of research on the motivation and benefits of parent firms' knowledge transfer and internal capital transfer to foreign subsidiaries. However, none of this research studies both types of resource transfers in the same setting.

This study investigates the organizational factors that motivate parent firms to transfer both knowledge and financial resources to subsidiaries in transition economies. Based on a survey of 535 subsidiaries in three Central and Eastern European countries, we find that the factors that underpin knowledge transfer differ from those that support financial resources transfer. In particular, MNC parents are more willing to transfer knowledge to subsidiaries with competence-creating roles and that superior R&D performance. However, the presence of these factors does not increase parents' willingness to transfer financial resources. *(For more information, please contact: Qin Yang, Robert Morris University, United States: yang@rmu.edu)*

Bridging Foreign Subsidiaries' Roles and Vertical Linkages: The Tale of Eastern European Countries

Bjoern Jindra, University of Sussex, United Kingdom and Halle Institute for Economic Research

Axèle Giroud, University of Manchester

Joanna Scott-Kennel, Victoria University of Wellington

Vertical supply chain linkages between foreign subsidiaries and domestic firms are an important mechanism for knowledge spillovers, and as such can contribute to the economic development of emerging and transition economies. Yet, few studies consider how subsidiary characteristics might influence such linkages. This paper

pays particular attention to relationships between subsidiary mandate; initiative; technological capability; and embeddedness, and the type, extent, and intensity of vertical linkages. We find these subsidiary-specific factors to be significant determinants, controlling for industry as well as country effects. We use a cross-country sample from five East European countries. *(For more information, please contact: Axele Loetizia Giroud, University of Manchester, United Kingdom: axele.giroud@mbs.ac.uk)*

Intra-Firm Coordination

Heather Berry, University of Pennsylvania

An understudied issue on the integration of large and complex organizations concerns how knowledge and information flows may impact integration and linkages across firm operations. In this paper, I focus on how knowledge flows impact the integration of firm production activities to understand how firms exploit, deploy and develop their knowledge assets and capabilities throughout their operations. I consider all directions of flows of goods to capture different types of integration across firm activities, including more hierarchical flows from the parent to its subsidiaries and from subsidiaries back to parents, and more lateral flows from subsidiaries to subsidiaries. To test my hypotheses, I use a comprehensive panel dataset based on survey data from the Bureau of Economic Analysis (BEA) on the operations of US manufacturing firms that have foreign operations from 1989-2004. Overall, the results reveal several differences in the influence of knowledge flows on production linkages. First, the results show that subsidiaries have bi-directional linkages when parents deploy their knowledge assets through products (when subsidiaries receive parent imports) and when subsidiaries employ R&D personnel to create new knowledge in their subunits. In contrast, knowledge exploitation through technology transfer appears to be more of a uni-directional mechanisms for linking firm activities. This suggests that subsidiary payments for parent firm technology do not encourage additional resources or capabilities that could be deployed more broadly. Taken together, these results highlight the important roles of people and products in encouraging bi-directional linkages across firm operations. *(For more information, please contact: Heather Berry, Wharton, University of Pennsylvania, United States: berryh@wharton.upenn.edu)*

Session: 2.5.7 - Panel

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

How to Theorize from Fieldwork?

Presented On: July 2, 2008 - 16:05-17:20

Chair: Rebecca Piekkari, Helsinki School of Economics

Using Multiple Case Studies to Generalize from Ethnographic Research

Mary Yoko Brannen, San Jose State University and INSEAD

Case Studies as a Method for Testing Theory

Gabriel Szulanski, INSEAD

Theorizing through Case Studies – Evidence from International Business Journals

Rebecca Piekkari, Helsinki School of Economics

Publishing Qualitative Research – Observations by a JIBS Editor

Lorraine Eden, Texas A&M University

Concluding Remarks

Yves Doz, INSEAD

Session: 2.5.8 - Competitive
Track: Track: 9 - Internationalization and Intl. Marketing

Consumer Behavior in an International Context

Presented On: July 2, 2008 - 16:05-17:20

Chair: Julio Cerviño, Universidad Carlos III de Madrid

Is Globalization Good or Bad? A Consumer Perspective on the Dual Effects of Globalization

Peter Magnusson, Northern Illinois University
Srdan Zdravkovic, Bryant University / Saint Louis University
Stanford A. Westjohn, Saint Louis University

This study examines relationships between a new conceptualization of consumer's attitude toward globalization, several antecedents (cosmopolitanism, universalism, consumer ethnocentrism, and cynicism), and a consequence of these attitudes (preference for globally- vs. locally oriented advertisements). Prior research has conceptualized and measured consumers' globalization attitude on a continuum from unfavorable to favorable. We posit that consumers can simultaneously hold favorable (optimistic) views on globalization, but at the same time also be concerned about some negative side effects. The empirical analysis confirms this two-dimensional conceptualization. The two attitude-toward-globalization constructs are discriminant and with unique antecedents. We further find that consumers' attitude toward globalization has a direct effect on consumer behavior through a significant relationship with a preference for either globally- or locally oriented advertisements. *(For more information, please contact: Peter Magnusson, Northern Illinois University, United States: magnusson@niu.edu)*

A Cross-National Investigation of Technology Acceptance, Diffusion of Innovation, and Consumer Use of the Internet

David Kuhlmeier, Valdosta State University
Gary A. Knight, Florida State University

Various theoretical perspectives have been employed to examine the diffusion and adoption of technologies in national and international settings. In this study, we investigate the universal applicability of these perspectives by examining cross-national consumer behavior regarding the likelihood of purchasing products and services online via the Internet. An empirical study of 344 Internet users from France and the United States, two advanced economies, reveals a positive association between Internet use, both in terms of hours/week and years, and the likelihood to purchase online. Findings also reveal a negative association between perceived Internet risk and the likelihood to purchase. Risk has a mediating effect on the relationship between Internet use and purchase likelihood. However, results vary between France and the United States. Study findings are used as a context for discussing the universality of popular theoretical perspectives related to the technology acceptance and the diffusion of innovations. We discuss the results regarding their theoretical and practical implications. *(For more information, please contact: Gary A. Knight, Florida State University, United States: gknight@fsu.edu)*

Global Strategies for CSR: Finding the Socially-Conscious Consumer Across Countries

Pat Auger, Melbourne Business School
 Timothy Michael Devinney, Australian School of Business
 Jordan J Louviere, University of Technology Sydney

This article reports on the importance that consumers place on social product features when making purchase decisions. Consumers are regarded by many researchers as one of the key forces behind the growing importance of Corporate Social Responsibility (CSR) programs. Previous research has shown that some consumers are willing to pay a premium for more socially desirable products but has had less success at segmenting these socially conscious consumers. We analyzed data from a six-country study to identify and characterize global segments of socially conscious consumers. We offer several key implications for managers involved in the development of CSR programs. *(For more information, please contact: Timothy Michael Devinney, Australian School of Business, Australia: T.Devinney@agsm.edu.au)*

The Influences of Regional and Cultural Differences in Product Evaluation Among Chinese Consumers

Charles Chin Chiu Tam, Macquarie University
 Gregory Ronald Elliott, Macquarie University

A fundamental premise which underpins much of the study of cross-cultural consumer behaviour, is that there exist significant differences in consumer behaviour between the domestic and foreign markets. Further, it can be argued that such differences in the behaviour of foreign and domestic consumers can be attributed to differences in culture. This paper explores this question by examining, firstly, whether differences in product evaluation processes exist between consumers in different geographical regions of China and, secondly, if such differences, if any, can be attributed to differences in the cultural orientations of these consumers from different regions of China. Specifically, therefore, it examines the question of whether differences in cultural orientation among Chinese consumers are associated with differences in product evaluation processes. From a sample of consumers in three Chinese locations (Hong Kong, Shanghai and Chongqing), groups displaying varying levels on Hofstede's cultural indices were examined for differences, if any, in their product evaluation processes. The product chosen was domestic air-conditioners. Results indicate that groups of Chinese consumers displaying differences in Hofstede's cultural dimensions differ significantly in their product evaluation processes, but that these differences cannot be linked to differences in cultural orientations. *(For more information, please contact: Gregory Ronald Elliott, Macquarie University, Australia: Greg.Elliott@mq.edu.au)*

Session: 2.5.9 - Competitive**Track: Track: 6 - Learning, Knowledge and Innovation*****The Role of Subsidiaries in Knowledge Creation/Accumulation***

Presented On: July 2, 2008 - 16:05-17:20

Chair: Stephen B. Tallman, University of Richmond

Why are Two Heads Better than One? Knowledge Creation and Diverse Composition

Rebecca Mitchell, University of Newcastle
 Brendan Philip Boyle, University of Newcastle
 Stephen Nicholas, University of Newcastle

This study explores the assumption that the impact of diversity on knowledge creating capability is consequent to associated differences in knowledge and perspectives, and contrast this mechanism against an alternative pathway, the utilisation of deliberative, collaborative behaviours. To investigate this theory, we assess whether cognitive heterogeneity and debate operate as mediating variables between two types of diversity, functional

and cultural, and knowledge creation. The results provide support for both mediators and also generate evidence suggesting that functional and cultural diversity impact on knowledge creation through different mechanisms. *(For more information, please contact: Rebecca Mitchell, University of Newcastle, Australia: rebecca.mitchell@newcastle.edu.au)*

Subsidiary Involvement in MNC Competence Development - The Role of Shared Values and Business Networks
Mats Forsgren, Uppsala University
Ulf Holm, Uppsala University

This paper addresses the idea of shared values as a "glue" holding the multinational corporation (MNC) together, and investigates its importance for the propensity of subsidiaries to participate in competence development within the MNC. Investigating shared values at the operational, activity level, based on both subsidiary and headquarters' perspective, a hierarchical multiple regression analysis of 98 subsidiaries in Swedish MNCs was used to test shared values against the effect of business network factors (corporate and external embeddedness). The results show that business network factors significantly affect the focal subsidiary's involvement in MNC competence development whereas the effects of shared values were not significant. This result contradicts a large part of the management oriented literature on MNCs that indulges in expectations about shared values as means for integration. The paper ends up discussing the possible reasons for the difference between the result and the received theory on the importance of shared values in MNCs. *(For more information, please contact: Mats Forsgren, Uppsala University/Department of Business Studies, Sweden: mats.forsgren@fek.uu.se)*

Knowledge Accumulation and Dissemination in MNCs: a Practice-Based Framework
Stephen B. Tallman, University of Richmond
Aya Chacar, Florida International University

Knowledge accumulation (creation, acquisition, or infusion) and dissemination within the network of subsidiaries and affiliates that is the modern multinational corporation is the key source of competitive advantage of these firms. The extensive literature addressing this phenomenon describes a shift of understanding from a focus on center-to-subsidiary knowledge movement to recognition of the importance of subsidiaries as sources of new knowledge, based on their ties to their own local business communities. What is not clear is the process of knowledge development and dissemination. This paper proposes a model built on the twin concepts of Communities of Practice as the key sources of know-how creation in firms and regions and of practice-based architectural knowledge as the key driver of absorptive capacity that permits or constrains successful learning across organizational boundaries. It uses these concepts to derive a symmetric framework that explains how knowledge is absorbed by subsidiaries and disseminated throughout the MNC, and offers guidance for managerial applications. *(For more information, please contact: Stephen B Tallman, Univ of Richmond, United States: stallman@richmond.edu)*

Knowledge Transfer in Multinational Enterprises in China
Huilin (Sophie) Xiao, University of Newcastle
Ben Tipton, University of Sydney

This study addresses the issue of knowledge transfer from multinational parent to its subsidiaries in China. By linking theories of internalization, organizational learning and new institutionalism, this study develops an integrated model to discuss the determinants and the mechanism of the cross-national knowledge transfer. Based on the survey of 88 MNE subsidiaries currently operating in China, this study empirically tests the factors influencing knowledge transfer, including transfer capability and willingness, learning capability and motivations, and the institutional distance between home and host countries. *(For more information, please contact: Huilin (Sophie) Xiao, Southwestern University of Finance and Economics, China: huilinxiao@gmail.com)*

Session: 2.5.10 - Special Session

Teaching Excellence and Career Life Balance (Panel Sponsored by WAIB, Women in the Academy of International Business)

Presented On: July 2, 2008 - 16:05-17:20

Chair: Susan Forquer Gupta, Monmouth University

Discussant: Lyn S. Amine, St. Louis University

Inspiring Learning While Living the Inspired Life

Laura Peracchio, University of Wisconsin, Milwaukee

Teaching Challenges at Different Life Stages

Betty Jane Punnett, University of West Indies

Don't call me MRS.

Joan Mileski, Texas A & M University at Galveston

A Day in the Teaching Life of an Academic Couple

Susan Mudambi, Temple University

This panel will address the balancing act of teacher, researcher, volunteer, parent, spouse, that academics face as they progress through their careers. How do you grow toward excellence in teaching while also achieving or maintaining excellence across the other expected career and life categories (research, service; parenting, partnering; community service). In addition, women professors face unique issues in the classroom due to cultural expectations of society. Change is occurring as more women complete their Ph.D and join academic faculties across the globe. This panel will address the current environment as well as revisit the past, as increasing dual career families have changed the work environment. The panelist bring their experiences and expertise to the roundtable format to begin a discussion of what they have learned and the keys to successful teaching, and career life balance.

Session: 2.5.11 - Competitive

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

Cross-Cultural Management Issues

Presented On: July 2, 2008 - 16:05-17:20

Chair: David C. Thomas, Simon Fraser University

The Impact of Cultural and Language Differences on Intra-unit Information Flows: A Case of Nordic Subsidiaries in Japan

Vesa Peltokorpi, HEC School of Management, Paris

Despite the dual impact of cultural and language diversity on intra- and inter-unit information flows, language has remained a neglected subject in international business literature. Building on the three zone communication model (Du-Babcock & Babcock, 1996), this study focuses on the influence of cultural and language diversity on intra-unit information flows in foreign subsidiaries. Interviews conducted with Nordic expatriates and local

managers in 54 foreign subsidiaries in Japan show that host country language skills and cultural understanding have a positive impact on intra-unit information flows, the usage of Japanese managers as language intermediaries has a dual impact on information flows, and expatriates use various strategies to increase information flows in subsidiaries. Suggestions for practice and future research are provided. *(For more information, please contact: Vesa Peltokorpi, HEC School of Management, Paris, France: peltokorpi@hec.fr)*

Communication and Social Interaction Style across Cultures: Conceptualization and Scale Development

Wendi Adair, Waterloo University
Nancy Buchan, University of South Carolina
Xiao-Ping Chen, University of Washington

Based on our review and analysis of Hall's (1976) conceptualization of culture as communication, we identified four components -- communication style, interpersonal relationship, time, and space -- and developed a new construct called Communication and Social Interaction Style (CSIS) to fully capture the meaning of context in the communication process. We also defined three culture types by classifying three distinct communication and social interaction styles: Direct, Expressive, and Indirect. We report results for preliminary CSIS scale development where we created 120 items based on Richard Lewis' cultureactive.com and tested the factor structure with a sample of 620 U.S. participants. The resultant factor structure included 28 items measuring Communication Style (3 factors), Relationships (2 factors), and Time (3 factors). We discuss the contribution of our study as moving culture research from focusing on values only to focusing on "standard operation procedures and ways of doing things" (Triandis, 1994). Finally we discuss our plans to develop a more reliable and valid measurement for CSIS that will further its ability to predict behavioral differences across cultures. *(For more information, please contact: Xiao-Ping Chen, University of Washington, United States: xpchen@u.washington.edu)*

Trigger Events in Intercultural Sensemaking

Joyce Osland, San Jose State University
Allan Bird, University of Missouri-St. Louis
Allison Gundersen, Case Western Reserve University

In a global economy intercultural adaptability is an important skill for anyone working across cultures. This conceptual paper takes a social cognitive approach to the trigger events that cause people to notice cultural differences and the role they play in generating intercultural sensemaking. Since the trigger event construct has received little attention and no empirical study since its conception, we performed a multidisciplinary review of trigger event definitions, resulting in an explicated list of characteristics. An original process model of trigger events in intercultural sensemaking includes the role played by emotion. We conclude with sensemaking strategies and implications for research and practice. *(For more information, please contact: Allan Bird, University of Missouri-St. Louis, United States: abird@umsl.edu)*

Identity in the Balance: Universal Strategies for Managing Social Identities

Janice R. W. Joplin, Southern Illinois University Edwardsville
Margaret A. Shaffer, University of Wisconsin, Milwaukee
Anne Marie Francesco, Hong Kong Baptist University
Theresa Lau, Hong Kong Polytechnic University

Based on analysis of qualitative data obtained from employees in five distinct countries (China, Hong Kong, Mexico, Singapore and the United States), we develop a universal model for achieving life balance. We define life balance as the effective management of multiple role identities across domains and toward the achievement of goals. The core of the model consists of four strategies for balancing multiple role identities: differentiation, diffusion, delineation, and deletion. These strategies constitute a response to demands or resources emanating

from personal, domain-specific (e.g., work and family), and environmental sources of identity. Implications and suggestions for future research are discussed. *(For more information, please contact: Margaret A. Shaffer, University of Wisconsin - Milwaukee, United States: shafferm@uwm.edu)*

Session: 2.5.12 - Competitive

Track: Track: 3 - Alliances and Inter-Firm Relationships

Alliances and Other Entry Modes

Presented On: July 2, 2008 - 16:05-17:20

Chair: Matthew B. Myers, University of Tennessee

Board Vigilance and Outsiders' Heterogeneous Experiences: An Examination of the Effects of Board Composition on Cross-border Acquisition Activities

Jun Xia, Montclair State University

Adam D. Bailey, Texas Tech University

This study seeks to add to our understanding of internationalization through cross-border acquisitions. We integrate agency theory with studies on international expansion strategies, and suggest that taking outsiders' heterogeneous experiences into account provides a greater understanding of cross-border acquisition strategies. Our findings, based on a sample of Fortune 500 manufacturing firms, show that both board vigilance and director experiences with the focal firm and interlocking firms have important and opposite impacts on the focal firm's cross-border acquisition activities. *(For more information, please contact: Jun Xia, Montclair State University, United States: xiaj@mail.montclair.edu)*

What Do we Really Know about Foreign Market Entry Strategy Decisions? A Meta-analysis on the Choice Between Wholly-owned Subsidiaries and Cooperative Arrangements

Dirk Morschett, University of Fribourg

Hanna Schramm-Klein, Saarland University

Bernhard Swoboda, University of Trier

The choice of a market entry strategy, a crucial decision in the internationalization process, has been addressed by numerous empirical studies. The results are multifaceted, sometimes conflicting, and thus, difficult to interpret and review.

The presented meta-analysis summarizes empirical findings from previous research on the decision between wholly-owned subsidiaries and cooperative arrangements. By reviewing 61 studies on this decision, it is examined which influence factors on the decision have been investigated in primary research and which have a significant effect in the cumulative view of the previous results. The article also links the theories that are used in the literature to explain the market entry strategy decision to the findings.

(For more information, please contact: Dirk Morschett, University of Fribourg, Switzerland: dirk.morschett@unifr.ch)

Reexamining International Joint Ventures: Transaction Cost Reasoning, Real Options Consideration, and the Role of Greenfield vs. Acquisitive Entry

Shih-Fen S Chen, University of Western Ontario

Joint ventures often refer to greenfield entities jointly started by the partners, although they can also be established through partial acquisitions of existing firms. In this study, we make the greenfield-vs.-acquisitive distinction to redraw the theoretical boundaries of international joint ventures, in that greenfield joint ventures

are formed to enlist non-marketable assets from local partners (transaction cost reasoning), and acquisitive joint ventures are created as real options to expand abroad under uncertain conditions (the real option consideration). By splitting a sample of Japanese investments in the US into two sub-regimes, we have found that the determinants of ownership structures are specific to the choice of greenfield or acquisitive entry. The evidence for the real option consideration is quite strong, but the support for transaction cost reasoning is relatively weak. The two widely shared views of joint ventures, nevertheless, are not competing theories under the greenfield-vs.-acquisitive distinction. Instead, our results reveal that they are complementary in predicting the decision of joint ventures vs. wholly owned subsidiaries. The conceptual framework and empirical setup developed in this study provide new insights into the formation of joint ventures between multinational enterprises and indigenous firms. *(For more information, please contact: Shih-Fen S Chen, University of Western Ontario, Canada: sfchen@ivey.uwo.ca)*

Strategic Alliance Formation: Explorative versus Exploitative Purpose and Contractual Versus Equity Mode
Tariq Malik, University of London

In this empirical study, I examine the link between the explorative versus exploitative resource based motives for alliances and the corresponding contractual versus equity mode of governance mechanisms. Using the resource-based and transaction cost based perspectives; I develop and test hypotheses on these proposed links. The evidences indicate that the contractual mode is prevalent choice for the governance mode for the explorative and exploitative purpose in biopharmaceutical industry. This implies that the nature of the technological resources and low transaction cost shape the contractual governance. *(For more information, please contact: Tariq Malik, University of London, United Kingdom: T.Malik@mbs.bbk.ac.uk)*

Session: 2.5.13 - Competitive

Track: Track: 1 - The Context of Global Business

The Institutional Environment for Finance and Accounting

Presented On: July 2, 2008 - 16:05-17:20

Chair: Sidney J. Gray, University of Sydney

Accounting and Corruption: A Cross Country Analysis

Jeffrey Lamro Hoopes, Brigham Young University

Chad Albrecht, ESADE

Ricardo Malagueño, ESADE

Steve Albrecht, Brigham Young University

In this paper, we perform a cross-country analysis to empirically establish a connection between accounting and corruption. Specifically, we investigate the correlation between different measures of accounting quality and corruption, and find that various proxies for accounting quality are related to perceived corruption. We then construct a model for corruption, and find that various measures of accounting and auditing quality are significant in explaining corruption when controlling for economic development. To further test the relationship between corruption and accounting and to ensure our results are not driven by omitted variables, we replicate two corruption models existent in the literature, and find that accounting and auditing quality remain significant even when controlling for various other factors. Our results are robust for controlling for endogeneity. We conclude that better accounting and auditing quality can reduce corruption. *(For more information, please contact: Jeffrey Lamro Hoopes, Brigham Young University, United States: jeffrey.hoopes@gmail.com)*

The Influence of Context on Strategic Decision Practices: A Study Conducted in Three Continents

Christopher Hugh Carr, University of Edinburgh
 Katja Kolehmainen, Helsinki School of Economics
 Falconer Mitchell, University of Edinburgh

This paper develops a systematic contextual approach to strategic decisions, focusing on both strategy and accounting or the field of 'strategic management accounting'. Our framework spans four broad areas: business sector, business strategy, governance, and performance. This gives rise to a fourfold categorisation of companies comprising market creators, value creators, refocusers and restructurers. We then explore this framework's potential for explaining differences in practices, as exemplified by Strategic Investment Decisions (SIDs). We explore fourteen case studies of U.K. US and Japanese companies in mature (10) and faster-moving sectors (4) exposed to globalisation (vehicle components and telecommunications). We also compare the explanatory power from taking single variables, such as country differences, in isolation.

Findings suggest differences in approaches across the four contextual categories, in terms of the emphasis on strategic versus financial considerations, the thoroughness and rigidity of financial analysis, and the attitudes towards incorporating less easily quantifiable factors such as synergies into calculations. IIR target rates for example appear to rise as we move from the most strategically orientated market creator category towards the most financially orientated restructurer category. Still somewhat exploratory, our framework appears to offer more general applicability, particularly for countries with distinctive governance systems.

(For more information, please contact: Christopher Hugh Carr, University of Edinburgh, United Kingdom: Chris.Carr@ed.ac.uk)

Institutional Change and Hybrid Modes of M&A: The Cases of Germany and Japan

Toru Yoshikawa, McMaster University
 Lai Si Tsui-Auch, Nanyang Technological University
 Abdul Rasheed, University of Texas at Arlington

We examine the recent surge in M&A activity in Germany and Japan in the context of institutional changes occurring in these countries. We argue that as firms in these countries strive to find a balance between the external pressures for more shareholder- or market-oriented practices and locally embedded rules and norms, they develop hybrid practices that are not only different from the traditional practices of their countries, but also different from the prevailing practices of the Anglo-American context. We treat these hybrid responses to institutional pressures as strategic choices that the firms have made to the multiple and often competing objectives and interests of their key stakeholders. *(For more information, please contact: Toru Yoshikawa, McMaster University, Canada: yoshikat@mcmaster.ca)*

Session: 2.5.14 - Competitive

Track: Track: 6 - Learning, Knowledge and Innovation

The Role of Industry Specificities in Knowledge Creation and Transfer

Presented On: July 2, 2008 - 16:05-17:20

Chair: Changqi Wu, Peking University

Knowledge Management Perspectives on the MNC: Cross-site Knowledge-sharing in Different Industry Contexts

Helmut Kasper, Vienna University of Economics and Business Administration

Mark Lehrer, Suffolk University

Jürgen Mühlbacher, Vienna University of Economics and Business Administration

Barbara Müller, Vienna University of Economics and Business Administration

This interview-based study of eight multinational corporations (MNCs) in five industries investigated varying patterns of cross-site knowledge-sharing by MNCs associated with three different industry contexts: global, multidomestic, and transnational. One important research finding was polarization in knowledge-sharing practices between the MNCs in the transnational and global quadrants, with cross-site knowledge-sharing being of very high intensity in the former and quite minimal in the latter. Another was that cross-site MNC knowledge-sharing patterns did appear to cluster around the categories suggested by Gupta and Govindarajan (1991): Integrated Players, Local Innovators, Global Innovators, and Implementors. The relationship between MNC knowledge-sharing patterns and their industry context is encapsulated in a typology that bridges two hitherto largely separate research streams: integration-responsiveness studies and knowledge management studies of the MNC. *(For more information, please contact: Mark Lehrer, Suffolk University, United States: marklehrer@gmail.com)*

When to Commit more to a Prior Technological Entry? Evidence of Global Top Ten Bearing Companies

Huei-Wen Pao, Diwan College of Management

Hsueh-Liang Wu, National Taiwan University

Ming-Chao Huang, National Cheng Kung University

A creative idea or an invention alone is not associated with a real advantage, while follow-on patenting or product development activities are. Drawing on the transaction cost and real options reasoning, this paper aims to explore the nature of R&D investment decisions that drive a firm to deepen its foothold in a newly entered technological area. Using Cox regression model upon the patent data of global top bearing companies over the period 1990–2004, we identified the influences of technology-, firm- and market-related constructs, including the age of knowledge searched, accumulated knowledge stock, and competitive effects, on the focal firm's follow-on patenting behavior. Our results highlight the critical role of organizational learning patterns in determining the incidence of innovation persistence, and suggest the context-dependent nature of such technological deepening behaviors. The empirical findings shed light on R&D investment strategies when subject to the uncertainty of technological environments. *(For more information, please contact: Hsueh-Liang Wu, National Taiwan University, Taiwan, R.O.C.: hlwu@ntu.edu.tw)*

Old Technological Capability and New Technology Adoption: Firm's Technology Portfolio Management during Technological Transitions

Wenyue Zhuang, National University of Singapore
Kwanghui Lim, Melbourne Business School
PohKam Wong, National University of Singapore

This study is an investigation of the relationships between an incumbent firm's prior competence in old technology paradigm and its development of innovation capability in new technology fields. Borrowing the concepts from modern portfolio theory, we suggest that firms' overall innovation capability is a combination of its innovation capability in various technology fields in which it invested. An Incumbent firm's competence in old technology paradigm may impede its subsequent innovations in new technology fields. However such negative influence can be reduced by firm's internal knowledge spillovers between old and new technologies or by moving R&D in old technology fields to lower cost locations. In this way, the incumbent firms survive the technological transitions through maximizing the overall returns from their technology portfolios. *(For more information, please contact: Wenyue Zhuang, National University of Singapore, Singapore: g0301023@nus.edu.sg)*

Foreign Learning and Innovation in the Biotechnology Industry: The Cases of the U.S. and Japan

Amanda E.K. Budde, University of Hawaii

This research examines international knowledge transfer and organizational learning in the biotechnology industries in Japan and the U.S. This study is one of the first to consider the location of the knowledge resource and that location's impact upon innovative output in the biotechnology industry. The paper also considers the differences in industrial environments in which Japanese and U.S. biotech firms compete. Results suggest that biotechnology firms that look to foreign competitors for knowledge resources upon which to build have greater innovative outputs than firms that focus only on knowledge from domestic sources. The findings also suggest that foreign knowledge has a stronger impact on overall innovation than does domestic knowledge for both Japanese and U.S. firms. *(For more information, please contact: Amanda E.K. Budde, University of Hawaii, United States: budde@hawaii.edu)*

Session: 2.5.15 - Panel

Track: Track: 11 - FDI in and from Emerging Markets

Managing Foreign Direct Investment (FDI) in Latin America: Plotting the Future

Presented On: July 2, 2008 - 16:05-17:20

Chair: William Newburry, Florida International University

Discussant: Sumit K. Kundu, Florida International University

Innovation Clusters in Latin America

Jerry Haar, Florida International University

Contrasting Latin American Multinationals with Europe and the U.S

Jose R. De la Torre, Florida International University

Workplace Attraction in Latin America

William Newburry, Florida International University

Competencies of Global Managers

Galen Kroeck, Florida International University

Bad Leaders in Good Places

Mary Ann Von Glinow, Florida International University

While much focus has been devoted to the emerging market of China in the international business literature, other emerging markets have received much less attention . particularly in terms of the management of multinational corporations. These markets are being increasingly recognized in terms of their importance. Moreover, the degree to which extant research on China applies to these markets is questionable due to differences in size, culture, government type and numerous other variables. Greater knowledge of non-Chinese emerging markets would greatly benefit both academics, in terms of refining and expanding existing theories, as well as managers, who are increasingly being drawn to this region.

This panel attempts to partially fill this research and managerial need by focusing on recent management research on Latin America. The panel will consist of two parts. First, scholars will present recent findings regarding the management of foreign direct investment (FDI) in the Latin American context. Second, session attendees will discuss in a roundtable format what they perceive to be the most important research questions regarding FDI in the Latin American region . both from a research and practitioner perspective . in order to develop a future research agenda.

ABSTRACTS FOR THURSDAY, JULY 3, 2008

Session: 3.1.1 - Interactive

Track: Track: 6 - Learning, Knowledge and Innovation

Knowledge Spillovers and Local Development

Presented On: July 3, 2008 - 09:00-10:15

Chair: Alessandro Pagano, University of Urbino

Booming or Emerging? China's Technological Capability Revealed in International Patent Activity

Zhenzhong Ma, University of Windsor

Yender Lee, Chang Jung Christian University

Chien-Fu Patrick Chen, Chang Jung Christian University

China's economy and technology have experienced astounding growth in the last two decades. The OECD 2005 reports show that China has overtaken the U.S. to become the world's largest exporter of information and communications technology goods. In order to assess the progress China has made in technology development, this study examines the inventive activities in China and the pattern of international collaboration between China and other major industrialized countries or regions. The data used were collected from the United States Patent and Trademark Office (USPTO) with the patent information for China and the eight most inventive OECD countries and two Asian economic entities (South Korea and Taiwan) between 1997 and 2006. The result reveals a pattern of China's increasing collaboration in inventive activities across the world over the past decade, and it also helps answer the question whether China is booming or just emerging in its technology capabilities (*For more information, please contact: Zhenzhong Ma, University of Windsor, Canada: maz@uwindsor.ca*)

Subsidiary Importance in the MNC: What Role does Internal Embeddedness Play?

Mo Yamin, Manchester Business School

Ulf Andersson, Uppsala University

This paper addresses the issue of how a subsidiary's internal and external embeddedness interact in generating technological importance for the subsidiary vis-à-vis the MNE as a whole. We take previous studies findings relating to positive impact of external embeddedness on a subsidiary's organisational importance as our starting point and consider two research questions: (a) does the internal embeddedness of a subsidiary positively impact its organisational importance, and, (b) how does a subsidiary's internal and external embeddedness interact in generating organisational importance?. We test hypotheses reflecting these questions based on extant literature and test them utilising data on 97 foreign subsidiaries belonging to Swedish multinationals. Our main finding is that a subsidiary's internal embeddedness is not related to its importance for either production or product development in the MNC to which it belongs. However we also find that internal embeddedness dilutes the positive impact of external embeddedness on a subsidiary's importance for product development (but not for production development). (*For more information, please contact: Ulf Andersson, Uppsala University, Sweden: ulf.andersson@fek.uu.se*)

Creating Knowledge Economies: Biotech Cluster Development in Emerging Markets

Tomasz Mroczkowski, American University

Heather Elms, American University

Emerging market economies increasingly expend resources to create national innovative capabilities and create knowledge economies through the development of biotechnology clusters. While the cluster development literature primarily focuses on developed markets, we review this literature in an effort to identify characteristics that might be important to cluster development in emerging markets, as well as add to it characteristics from the emerging markets literature. We provide a stage model of biotech cluster development in emerging markets, and then compare it to the empirical cases of two developing economies, Hungary and Poland. Our model identifies key performance indicators at each stage of cluster development. We suggest in particular that the growth of private, especially international, investment--rather than just public spending--should be considered a key issue in evaluating progress in the development of competitive biotechnology industries in emerging markets. Going beyond the Polish and Hungarian cases, we suggest extensions to our research by discussing additional emerging economies interested in developing biotech clusters, including China, India, South Korea and Singapore. In addition, through this broader approach we aim at refining our model by identifying key performance. *(For more information, please contact: Tomasz Mroczkowski, American University Kogod School of Business, United States: mrocz@american.edu)*

Cooperation in Innovative Activities between Multinational Companies and Universities: Evidence from Italy

Alessandro Pagano, University of Urbino

There is an increasing evidence that multinational corporations (MNCs) are more willing to involve external actors for the management of R&D and innovative activities. A key external partner is represented by universities and public research organisations (PROs), which in recent years have been more open to cooperation with companies. However, the literature on the interaction between MNCs and universities is very limited and has only partially addressed the impact of the multinational nature of the business partner. Therefore this paper aims to shed light on such issues by showing preliminary evidence on how MNCs involved in the ICT sector in Italy establish linkages with local universities and PRO in their innovative activities. This paper shows that the collaboration between MNCs and Italian universities and PROs in various cases is generating articulated and stable structures in the form of joint-labs and long-term partnerships in R&D activities. The analysis of the local embedding by MNCs in the ICT cluster in Pisa highlights, inter alia, the role of social networks in the R&D field between academic researchers and MNCs' top management and R&D staff. *(For more information, please contact: Alessandro Pagano, University of Urbino, Italy: alessandro.pagano@uniurb.it)*

International Strategies and Declusterization: A Dynamic Theory of Italian Clusters

Elisabetta Marafioti, University of Milano-Bicocca and Università Bocconi

Edoardo Mollona, Università degli Studi di Bologna

Fabrizio Perretti, Università Bocconi

The internationalization strategy of actors operating in clusters has shown over time its weaknesses, producing a negative effect over the competitiveness of some operators of the cluster itself. In fact, the internationalization of machinery producers has interrupted the innovative process which originated from the interplay of the various actors of the cluster (relational capital). This phenomenon is particularly true if we consider the internationalization in the NICs which started from the beginning of the 90's, producing a resources diversion from the market of origin to farther markets. Analyzing the demographic data on companies operating in a district, it is clear and visible the fact that many downward operators are reducing in number and are exporting even less than the average of all Italian industrial companies. The feedback model presented in the paper explains this phenomenon exploring consequences produced by export strategies of machinery producers

and on the cluster as a whole (*For more information, please contact: Elisabetta Marafioti, University of Milano-Bicocca/SDA Bocconi, Italy: elisabetta.marafioti@unibocconi.it*)

Standards and Collective Knowledge Flows: Building Internationally Competitive Firms in a Developing Country
Paola Perez-Aleman, McGill University

This paper highlights the importance of network-level organizational and institutional mechanisms for the international expansion of developing country firms. Developing country firms collectively cope with initial technological and market disadvantages to emerge as global competitors. The discussion is based on evidence from Chile's aquaculture firms to highlight their experience in an industry previously concentrated in Europe and North America. Developing country firms build their capabilities by fostering collective knowledge flows and creating institutions through their dynamic interaction. In such a context, standards play a central role in coordinating upgrading and fostering diverse knowledge flows among firms. (*For more information, please contact: Paola Perez-Aleman, McGill University, Canada: paola.perez-aleman@mcgill.ca*)

Innovative Capability Building through Linkage between Joint Venture and Supplier – A Case Study on Xizi Otis and Xizi Trust
Huiping Li, Ramapo College of New Jersey

This case study focuses on the benefit of foreign direct investment (FDI) at the firm level. Looking into the way local business acquire knowledge from MNC, the study examines whether Chinese company have built local absorptive capability through acquiring and then using the international resources and knowledge of the foreign investment enterprises in China. This study examines how the local capability is accumulated, by studying the linkage of the Chinese companies, in particular, the Chinese companies' relationship with foreign invested businesses in China. In this way I identify the mechanisms Chinese companies employ to build local technological capability and the determinants of the rate at which they are able to build such capability.

(*For more information, please contact: Huiping Li, Ramapo College of New Jersey, United States: hli@ramapo.edu*)

Technology Imports, Industry-linkage Diffusion Effects and Trade Vertical Specialization: The case of Taiwan
Szu-Wei Yen, WuFeng Institute of Technology
Day-Yang Liu, National Taiwan University of Science and Technology

In this study, we mainly discuss the relationship between technology imports and trade vertical specialization. Traditional technology indices provide limited information and pay no attention to inter-industry linkages. As a result, they usually underestimate the effect of technology imports. Therefore, the primary objective of this study is to assess the inter-industry linkage effect generated by technology imports under an inter-industry linkage structure, and evaluate the diffusion effect. Another objective of this paper is to measure trade vertical specialization levels and trends in manufacturing industry, and to examine the relationship between international trade in vertical specialization and the diffusion effect of technology imports. Longitudinal data and input-output tables are used to observe the temporal change trend of the diffusion effect of technology imports from 1995 to 2002 in Taiwan's manufacturing industries. The empirical results reveal a strong relationship between international trade with vertical specialization and the diffusion effect of technology imports. (*For more information, please contact: Szu-Wei Yen, WuFeng Institute of Technology, Taiwan, R.O.C.: sword@mail.wfc.edu.tw*)

Session: 3.1.2 - Interactive**Track: Track: 1 - The Context of Global Business*****Institutions, Governance and Investment*****Presented On:** July 3, 2008 - 09:00-10:15**Chair:** Marc Ventresca, NPS and Oxford University***Corporate Strategy, Executive Compensation and Foreign Ownership: An Analysis from Information-Processing and Agency Theory Perspectives***

Toru Yoshikawa, McMaster University

This study investigates the relationships between corporate strategy, executive bonus pay and foreign ownership in Japanese firms. We specifically focus on R&D investment and product diversification as strategy variables and investigate their direct effects on executive bonus pay. Further, we examine the moderating effects of foreign ownership on the strategy-pay sensitivity. The results show that R&D investment is positively related to executive bonus pay, but product diversification is not significantly related. We also found that the interactions of foreign ownership with the strategy variables are negatively related, suggesting that foreign investors play a monitoring role to control annual cash bonus payments when their invested firms choose to increase R&D or pursue diversification strategy. *(For more information, please contact: Toru Yoshikawa, McMaster University, Canada: yoshikat@mcmaster.ca)*

The Influences of Corporate Governance System and Slack on Ambidextrous Innovation

Cheng-Yu Lee, National Cheng Kung University

Given its importance in the ever changing environment, studies on ambidextrous innovation are burgeoning, yet the understanding of the cause of such innovation behavior is still unclear. This study advances the growing body of literature by focusing on examining the possible antecedents of ambidextrous innovation. Because strategic investment activities of firm would be influenced by internal resources and external investors, the possible effects of slack and corporate governance system on a firm's ambidextrous innovation need further inquiry. In a sample of R&D active firms over the world, this study shows that the pursuit of ambidextrous innovation is more effective in market-based corporate governance system, and that a modest level of slack is beneficial to ambidextrous innovation. *(For more information, please contact: Cheng-Yu Lee, National Cheng Kung University, Taiwan, R.O.C.: lijy@mail2000.com.tw)*

The Economic Impact of Mega Events: A Myth or a Reality? A Longitudinal Study on the Olympic Games

H.Jim Lo, National Taiwan University

This study extends research related to the mega events such as the Olympic Games and the economic impact of these events in order to analyze whether the economic impact of hosting the mega events on the host countries is significant. This study tests hypotheses using panel data obtained from 11 host countries that have hosted 18 summer and winter Olympic Games. The results indicate that economic impact of hosting the Olympic Games on the host countries is only significant in some parameters (i.e. unemployment and overall economic performance) on a short-term basis. Although country of origin interacts with the tourism of the host countries, such origin does not significantly interact with other key economic parameters (i.e. unemployment, investments, and overall economic performance). The findings provide decision-makers with comprehensive, and multidimensional knowledge about the economic impact resulting from hosting a mega event whether their objectives can be realized as expected. *(For more information, please contact: H.Jim Lo, National Taiwan University, Taiwan, R.O.C.: huaijuan@gmail.com)*

Evaluating the Incentives to Outward Internationalisation: Evidence from the Italian Case

Mariasole Bannò, University of Brescia

The paper aims at evaluating public policies for internationalisation. It empirically investigates the ex post effects of public financial incentives for outward foreign direct investments (FDI). On one side it analyses the relationship among the propensity to ask and to achieve financial incentives, firm-specific factors and critical FDI. On the other side it evaluates the effects of this public instrument. The empirical analysis, controlling for the counterfactual, investigates a two step treatment effect model where the dependent variables are the firm exploitation of incentives and its direct effects. The empirical model highlights that the incentives are achieved by biggest and "financial constrained" firms and reveals that FDI characteristics are significative. The second step shows the positive effects of incentives on home firm growth. *(For more information, please contact: Mariasole Bannò, University of Brescia, Italy: mariasole.banno@unibs.it)*

Dismantling (or Maintaining) the Status Quo: The Role of Symbolic Management in Institutional Change

Susan Perkins, Northwestern University

Edward Zajac, Northwestern University

Recent international business research suggests the need for a higher level of attention on how and why firms respond to non-market (i.e., institutional) demands. In this study, we theoretically and empirically analyze how Brazilian corporations responded to recent dramatic changes in their institutional environment. Specifically, using extensive qualitative and quantitative data, we show how the enactment of a new set of corporate governance guidelines by the Brazilian stock market (aimed at reducing longstanding agency problems related to pyramidal group ownership) generated a number of strategic responses by Brazilian firms that suggest improved corporate governance. However, we also find that for numerous firms, particularly the pyramidal groups, the changes observed are more symbolic than substantive. *(For more information, please contact: Susan Perkins, Northwestern University, United States: s-perkins@kellogg.northwestern.edu)*

The Locus of International Business Research: A Longitudinal Review of the Literature

Neil Slough, Milwaukee Area Technical College

Robert Goddard, Appalachian State University

Carolyn Mueller, Stetson University

Bonnie Guy, Appalachian State University

Maria Carriere, City of Milwaukee

This paper reports on the geographic focus of current international business research. While international business is, by its very nature, worldwide in its perspective, the specific environments addressed in the literature can range from single country and firm specific case studies to global analyses. We review every article ever published in the Journal of International Business Studies, Management International Review, and the Journal of World Business to establish the specific locations studied in each article and conduct a longitudinal analysis evaluating the concentration or dispersion of the geographic focus of international business research over the past three and a half decades. *(For more information, please contact: Neil Slough, Milwaukee Area Technical College, United States: neil@neilslough.com)*

Session: 3.1.3 - Interactive

Track: Track: 9 - Internationalization and Intl. Marketing

Foreign Expansion and Choice of Entry Modes

Presented On: July 3, 2008 - 09:00-10:15

Chair: Sylvie K. Chetty, Massey University

Entry Barriers, Competitors' Strategies and Interactions: Impacts on Foreign Market Entry
Anders Pehrsson, Växjö University

This paper reviews previous research and proposes a contingency-based model for the impact of barriers to entry on strategy for foreign market entry, where product/market scope and product differentiation are central strategy components. The questions are: What are the impact of barriers on entry strategies? Are early and late entrants affected in different ways? First, it is proposed that exogenous and endogenous barriers to foreign entry are mutually reinforcing. Second, a firm that enters a foreign market late and faces extensive barriers would choose a broader product/market scope and differentiate its products to a larger extent than an early entrant. Finally, it is proposed that incumbents' market strategies indirectly affect the entry strategy of an entrant firm as incumbents' market strategies interact with barriers, and the effects are due to entry timing. The study contributes theoretically as it extends our knowledge of the strategy impact of barriers to entry. Management of entrant firms are advised to strive for a fit between barriers and foreign entry strategy and pay attention to the proposals put forward in this paper. *(For more information, please contact: Anders Pehrsson, Växjö University, Sweden: Anders.Pehrsson@vxu.se)*

International Exchange Partner Identification: Methods, Antecedents and Consequences
Ge Zhan, Hong Kong Polytechnic University
Paul D. Ellis, Hong Kong Polytechnic University

The internationalization process of the firm describes the firm's entry into, and penetration, of foreign markets. The identification of international exchange partners – foreign agents, distributors, joint venture partners – is critical in this process. Yet the search for exchange partners remains relatively under-studied in the internationalization literature. This knowledge gap provides the rationale for the current study. In this paper four mutually exclusive methods for finding exchange partners are identified and verified in a pilot study. Eight hypotheses pertaining to antecedents and outcomes arising from these search different methods are then examined against data collected from a mixed sample of exporters in China. Emerging findings from this work-in-progress will be presented at the AIB conference and included in the final paper. *(For more information, please contact: Paul D. Ellis, Hong Kong Polytechnic University, Hong Kong: mspaul@inet.polyu.edu.hk)*

Modeling International Diffusion of Franchising from a Country Level Perspective
Veronica Baena, Universidad Europea de Madrid
Julio Cerviño, Universidad Carlos III de Madrid

Despite the rapid expansion of international franchisers into foreign countries, little is known about the country factors influencing this phenomenon. In an attempt to enhance the knowledge that managers and scholars have on international franchising diffusion across borders, the present study examines eight different variables included in three dimensions (cultural, economic and political). They are: i) geographical distance; ii) cultural distance; iii) uncertainty avoidance; iv) individualism; v) per capita income; vi) unemployment rate; vii) political stability and, viii) corruption. All these variables were measured for 94 nations. Results conclude that per capita income and uncertainty avoidance are significant and positively associated with global franchising spread. In

contrast, geographical distance between the home and the host country shows a negative relationship with franchising abroad. The implications for theory and practices of these findings are discussed, as well as its main limitations. Finally, we offer directions for further research. *(For more information, please contact: Veronica Baena, Universidad Europea de Madrid, Spain: veronica.baena@uem.es)*

Building Dynamic Capabilities for International Operation through Innovation: Case Study of Taiwan's Cultural Firms

Ching-Sung Wu, National Taiwan University
Chun Liang Chen, National Taiwan University

The purpose of this paper is to analyze global dynamic capabilities, firm specific advantages (FSAs) and international expansion of cultural corporation from a sustainable development viewpoint. From the exploratory study, six global dynamic capabilities are the driving force behind the creation of new cultural products that revitalize the company through continuous innovation. Evidence from case study shows that technology-based FSAs did a great help for local cultural organizations corporation to globalize its business and leads to value creation. Two alternative global expansion paths for local cultural organizations increasing values exist. *(For more information, please contact: Chun Liang Chen, National Taiwan University, Taiwan, R.O.C.: jun@moeasmea.gov.tw)*

Internationalization of Higher Education Institutions: Entry Mode Choices as Part of the Institutional Strategy

Harald Dolles, Heilbronn Business School
Denise Steckstor, Heilbronn Business School

Internationalization is a major concern for higher education institutions. They increasingly need to try positioning themselves on foreign education markets and act entrepreneurially. Present research mainly explored the phenomenon from a macro perspective. Accordingly, there is still a gap to close by investigating internationalization strategies of higher education institutions at corporate level. Intensive research has been accomplished on internationalization strategies of service firms. We adopt findings from service industry literature to the field of higher education and discuss the resulting implications for analyzing the foreign market entry mode decision of Higher Education Institutions. *(For more information, please contact: Harald Dolles, heilbronn business school, Germany: dolles@hn-bs.de)*

The Process of Firm Internationalization from a Transformational Country Context

Emma Incze, Corvinus University of Budapest

This paper discusses on how we can draw upon process thinking from existing internationalization process models and directly explores how process of internationalization unfolds along time. Central to the study is the general model of entrepreneurial internationalization process, an International Business model that is compared with the processual view of organizations, an Organizational Science model. Primary qualitative data is presented about two multinational companies with non-traditional home base and a process research model is suggested based on existing theory and empirical observation. *(For more information, please contact: Emma Incze, Corvinus University of Budapest, Hungary: emma.incze@uni-corvinus.hu)*

Have the Gods had their Fill? Supply Chain and Hinduism: Cognitive Spiritual Model for Improved Supply Chain Performance

Anant Ravindra Deshpande, University of Texas, Pan American

Failures to successfully implement SCM are common in operations management literature. In recent times research in supply chain management (SCM) literature is increasingly focusing on exploring the domain of

supply chain management, improvement in performance of organization/ supply chain, but none of these works have been from explicitly religion informed view. In addition, SCM researchers have failed to recognize the impeding force of religion on supply chains. To strongly justify this point, the Hindu religion is chosen. An ancient theology "The law of karma" is specifically explored and its impact on Hindu caste system and the Hindu agricultural supply chain is highlighted. The role of spirituality has been widely recognized in MSR literature in improving organizational performance. In addition the benefits of implementing spirituality in supply chains have largely gone unnoticed by SCM researchers. To this end, the paper proposes a Cognitive spiritual model which provides fresh insights into improving the performance of a supply chain using spirituality as a driver. Organizational theories such as Agency theory and behavioral theories such as Theory Y of motivation are used in the model for development of spirituality. In addition, specific linkages between dimensions of spirituality and SCM performance measures such as cost, quality and delivery flexibility are also explored. Implications and conclusions for managers are also presented. *(For more information, please contact: Anant Ravindra Deshpande, University of Texas, Pan American, United States: ardeshpande@broncs.utpa.edu)*

Session: 3.1.4 - Interactive

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

Diversity: Methods, Management and Gender

Presented On: July 3, 2008 - 09:00-10:15

Chair: Sri Zaheer, University of Minnesota

The Applicability of Widely Employed Frameworks in Cross-cultural Management Research

Hamid Yeganeh, Winona state University

Zhan Su, Laval University

Daniel Sauers, Winona State University

This article aims to analyze and assess the applicability of widely employed frameworks in cross-cultural management research. First, some criteria are conceptualized and then, eight cultural frameworks are examined and their relevance with respect to defined criteria is determined. At the end, all cultural frameworks are compared, their overall applicability is assessed, and suggestions for empirical research are presented. Results and discussion might be useful not only in applying cultural typologies, but also in improving existing frameworks. *(For more information, please contact: Hamid Yeganeh, Winona State University, United States: hyeganeh@winona.edu)*

Middle Eastern Women in International Management

Kate Hutchings, Monash University

Beverly Dawn Metcalfe, Liverpool Hope University

Brian Cooper, Monash University

Extant research has suggested that there are three key barriers to women undertaking international assignments including corporate resistance, foreigner prejudice and women's own disinterest. While there has been substantive research supporting the existence of such barriers, the vast majority of research has focused on Western women and Western multinational corporations (MNCs). This research builds upon the existing literature in examining the disposition which Middle Eastern women have towards undertaking international assignments. This research is significant in that a key and unique finding of our study for international human resource management and international business scholars is that the majority of Middle Eastern women's managerial, international employment, and skills development, opportunities come via non-government organisations and women's organisations. This makes their opportunities for international engagement very

different from those of Western women who overwhelmingly receive international experience via MNCs. This research paper reports the findings of a survey conducted in selected Middle Eastern nations which sought to elucidate the reasons why or why not Middle Eastern women would take international assignments and the influence which they may accordingly gain through community and international development organisations. (For more information, please contact: Kate Hutchings, Monash University, Australia: kate.hutchings@buseco.monash.edu.au)

Evaluating Competing Theories of the Gender Pay Gap

Violetta Khoreva, Swedish School of Economics and Business Administration

Various economic and managerial theories have been examined to explain the sources of the gender pay inequalities generating interest from economists (e.g. Groshen, 1991), sociologists (e.g. Hannan, Schomann, & Blossfeld, 1990), psychologists (e.g. Stroh, Brett, & Reilly, 1992), human resource managers (e.g. Heneman, 1990), and members of other disciplines. Human capital theorists assume experience to be the major factor influencing on the gender pay gap. Contingency theorists consider market-based and individual differences to be the main reasons of the gender pay gap.

The role of human capital, occupational segregation and wage structure, cognitive skills and demographic characteristics, market-based contingencies and individual differences has not been systematically scrutinized in one study. Therefore, the article ascertains whether or not women receive lower salaries than men by examining existing theoretical models and developing multi-disciplinary propositions for analysing the reasons for the gender compensation gap, so that joint factors are determined. Specifically, this conceptual study has its focus on two relatively different explanations of the gender pay gap. The first explanation concentrates on the impact of human capital, job and firm characteristics, demographics, and cognitive skills. The second one is based on the influence of market-based contingencies and individual differences.

Taking all the propositions and findings into account, it is possible to suggest that the gender pay gap seems unlikely to vanish in the nearest future. Women continue to face unequal opportunities on the labour market comparing to men. Females still take primary responsibilities for housework and children care. However, current international policies and commissions have increased the integration of work and family opportunities, so that it is easier for women to combine work and family, and for men to take more household responsibilities.

(For more information, please contact: Violetta Khoreva, Swedish School of Economics and Business Administration, Finland: violetta.khoreva@hanken.fi)

Towards a New Measure of Internationalization: The Top Management Team Internationalization Index

Stefan Schmid, ESCP-EAP European School of Management

Andrea Daniel, ESCP-EAP European School of Management

Firm internationalization has been studied from many different perspectives. In IB research, internationalization is often measured by indicators such as foreign turnover, employees and assets. In recent years, internationalization of corporate governance, especially internationalization of top management teams (TMTs), has been taken into account as an additional indicator. However, this indicator was primarily considered by studies conducted within the upper echelons research field, and only rarely from an IB perspective. The present contribution aims at refining the measurement of TMT internationalization compared to the approaches commonly used by researchers in the upper echelons field. At the same time, we argue that many studies in the IB field could benefit from taking TMT internationalization into account as an additional variable. After reviewing the literature on TMT internationalization we develop an index which can be used by both upper echelons researchers as a more comprehensive measure and IB researchers who want to go beyond traditional measures of internationalization. The TMTI-Index (Top Management Team Internationalization Index) includes the variables nationality, international experience during higher education as well as during work and international linkage. Furthermore, we empirically test the index by applying it to a comprehensive data set of German top

managers. Finally, the results of this test are discussed. *(For more information, please contact: Stefan Schmid, ESCP-EAP European School of Management, Germany: stefan.schmid@escp-eap.de)*

Multiculturalism & Workgroups

Luis Dau, University of South Carolina

The purpose of this article is to develop a dynamic, multi-level theoretical model that delineates the relationship between multicultural individuals and workgroups. It aims to pioneer multiculturalism work within management research. The paper first provides an extensive literature review of several relevant research streams, such as biculturalism, acculturation theory, attachment to workgroups, social identity theory, and personality. From this basis, a theoretical model and propositions are drawn arguing that multiculturalism will have a positive impact on adaptability to workgroups and identifying several moderators of this relationship. *(For more information, please contact: Luis Dau, University of South Carolina, United States: luis_dau@moore.sc.edu)*

International Technology Management: National Culture and Technology

Luciara Nardon, Vlerick Leuven Gent Management School
Kathryn J. Aten, University of Oregon

While technological change has for some time been a focal area of interest to technology and management scholars, gaps in our understanding of how new technologies emerge and evolve remain. We suggest a path to address these gaps, answering calls for studies of the socio-cognitive influences on technological change. Specifically, we consider the role of national culture on technological change, which we define to include the emergence, adoption, use and diffusion of technology. We elaborate on a socio-cognitive perspective on culture, which we argue is better suited than the dominant paradigm of cross-national comparison to advance work in this area. We discuss the implications, advantages and challenges of this perspective. Our goal in this paper is to provide a foundation for a wider conversation about technology and national culture among management and organizations scholars. *(For more information, please contact: Luciara Nardon, Vlerick Leuven Gent Management School, Belgium: luciara.nardon@vlerick.be)*

Generation X Women Professionals in the Global Workforce

Pamela Lirio, McGill University

Understanding issues of gender, cultural and/or generational diversity is key to harnessing the global talent necessary for organizational success in today's competitive global business environment (Adler, 2007; Glass, 2007; Tung, 2004). However, an important segment of this global talent, the 28-43 year old women professionals known as "Generation X" are said to profess less work-centric attitudes and seek work-life balance to a greater degree than previous generations of professionals before them (Families and Work Institute, 2004). This could pose significant challenges to managers and human resource professionals in the areas of global recruitment, retention and career development. The purpose of this paper is to explore the current state of knowledge about this generation of professional women worldwide. The paper first introduces cohort or generational research and defines "Generation X". It next reviews and critiques relevant literature on the career and life desires and realities of Generation X women professionals, identifying those areas which remain to be addressed. A discussion of future research possibilities follows, highlighting potential contributions to both theory and practice. *(For more information, please contact: Pamela Lirio, McGill University, Canada: pamela.lirio@mail.mcgill.ca)*

Democratizing Entrepreneurship: Toward a Theory of Consumers as International Entrepreneurs

Yanto Chandra, University of Amsterdam

Nicole Coviello, Department of Marketing, University of Auckland

The rise of consumers as international entrepreneurs is an important phenomenon that has been overlooked by the rapidly growing international entrepreneurship literature. A framework is presented that explains the phenomenon by integrating theories of international entrepreneurship, marketing, and network economics. The framework describes the foundations for sustainable ecosystem of consumers as international entrepreneurs: (1) the externalization of transactions by large firms, (2) resources of interconnected individuals, (3) co-creation and co-production advantages, and (4) network externality advantage. Finally, a typology of consumers as international entrepreneurs based on the nature of entrepreneurship and influence on customer preference formation is offered. *(For more information, please contact: Yanto Chandra, Amsterdam Business School, University of Amsterdam, Netherlands: y.chandra@uva.nl)*

Session: 3.1.5 - Interactive**Track: Track: 2 - Economics, Finance, Accounting, Taxation*****International Finance*****Presented On:** July 3, 2008 - 09:00-10:15**Chair:** Harvey Arbelaez, Monterey Institute of International Studies*State Dependency of Bank Stock Reaction to Federal Funds Rate Target Changes*

Haiyan Yin, The World Bank Group

Jiawen Yang, George Washington University

William C. Handorf, George Washington University

In this paper we investigate, through event-study analysis, the effect of changes in federal funds rate target on bank stock returns and examine the state dependency of such effects. We focus on the surprise elements of policy changes which are distilled from the raw data using the federal funds rate futures. Consistent with prior studies on effects of federal funds rate target changes on the general stock market, we find an inverse relationship between bank stock returns and changes in funds rate target. We also find that responses of bank stocks to monetary actions are conditional on the context in which the policy change takes place. Specifically, we find strong evidence that bank stocks are more pronouncedly affected by target changes accompanied by a simultaneous discount rate change, and target changes that represent a policy reversal. We find no consistent evidence that the magnitude or the direction of target change matters. Another key finding of our study is that bank stock returns only respond to surprises (unexpected changes) in the federal funds rate target. *(For more information, please contact: Haiyan Yin, World Bank Group, United States: hyin@worldbank.org)*

Determinants of Foreign Equity and Bond Holdings

Dorothee Feils, University of Alberta

Mark Huson, University of Alberta

Manzur Rahman, University of San Diego

We examine the importance of transparency, cultural affinity, economic ties and geographic distance as determinants of foreign equity and debt investment holdings. We find that geographic distance no longer explains foreign equity investment holdings once transparency, cultural affinity and economic ties have been accounted for. Thus, our evidence suggests that foreign equity holdings depend on the transparency of the foreign market, the cultural affinity between the two countries and the strength of their economic ties. The results for foreign bond holdings differ from those for foreign equity holdings in that geographic distance is

always a significant factor while cultural affinity never shows as a significant factor for foreign bond holdings. (For more information, please contact: Dorothee Feils, University of Alberta, Canada: dorothee.feils@ualberta.ca)

Returns, Beta, Firm Size, B/M, and E/P: An Analysis of Conditional Relationships in Three Asian Stock Markets

Simon M. S. So, University of Macau
Gordon Y. N. Tang, Hong Kong Baptist University

This study examines the conditional relationships between cross-sectional returns and market beta, firm size, book-to-market equity ratio (B/M), and earnings-to-price ratio (E/P) in three Asian stock markets: Hong Kong, Korea, and Taiwan. Although beta plays no role under unconditional framework, there is a conditional beta-return relationship for all the markets examined. The evidence appears to support a significantly positive (negative) risk premium on beta during periods of up (down) markets. In addition to beta, B/M and E/P, but not firm size, are also priced under conditional frameworks. Moreover, this study shows that all the three Asian stock markets present symmetrical relationships between return and the variables across up and down markets. The results imply that, on the whole, investors in the Hong Kong, Korean, and Taiwanese stock markets should take account of the conditional effects on beta as well as B/M and E/P in pricing assets and in forming their investment strategies. (For more information, please contact: Gordon Y. N. Tang, Hong Kong Baptist University, Hong Kong: gyntang@hkbu.edu.hk)

Dynamic Hedge Fund Style Analysis with Errors in Variables

Laurent Bodson, University of Liège
Alain Coen, University of Quebec
Georges Hubner, University of Liège

This paper revisits the traditional return-based style analysis (RBSA) in presence of time-varying exposures and errors in variables. We apply a selection algorithm using the Kalman filter to identify the more appropriate benchmarks and we compute their corresponding higher moment estimators (HME), i.e. the measurement error series introducing the (cross) moments of order three and four. Then, we retain the most significant HME and we add them to the selected benchmarks. Therefore, we obtain the most relevant benchmarks with none, some or all their HME as benchmarks explaining the analysed fund return. We finally run the Kalman filter on the principal components of this set of selected benchmarks to avoid multicollinearity problems. Analysing EDHEC alternative indexes styles, we show that this technique improves the factor loadings and permits to identify more precisely the return sources of the considered fund. (For more information, please contact: Laurent Bodson, University of Liège, Belgium: Laurent.Bodson@ulg.ac.be)

Rude Awakenings: The Behavior of Volatility at the Open and Across the Trading Day

Deniz Ozenbas, Montclair State University
Michael Pagano, Villanova University
Robert Schwartz, Baruch College, CUNY

Using three different measures of market quality, we investigate the level of trading frictions for individual stocks that trade on the New York Stock Exchange, Nasdaq Stock Market, and the London Stock Exchange. We pay particular attention to the most stressful period of the day, the opening, and compare how individual stocks perform during the opening as contrasted to the other periods during the trading day. Our contributions are threefold: 1) we find consistent evidence at all three market centers that the market quality of trading at the open for large cap stocks is worse than the opening price behavior of small and medium cap stocks, 2) large cap stock prices at the open are more likely to exhibit short-term "momentum" trading patterns where prices move up or down sharply in a persistent manner, and 3) we apply the time-series market model R statistic in a novel way as a measure of market quality by computing this measure using intraday returns. (For more

information, please contact: Deniz Ozenbas, Montclair State University, United States:
 ozenbasd@mail.montclair.edu)

The Importance of Tag Along Rights and Identity of Controlling Shareholders for the Price Spreads Between Dual-Class Shares: The Brazilian Case

Richard Saito, Getúlio Vargas Foundation (EAESP/FGV)

Alexandre Di Miceli da Silveira, University of São Paulo (FEA/USP)

This paper analyzes the determinants of the differential pricing of equity classes (voting and non-voting shares) in Brazil from 1995 to 2006 with a focus on two specific corporate governance aspects: i) the granting of tag along rights, a mandatory bid rule that extends minority shareholders the right of selling their shares for a minimum percentage of the price paid for controlling shareholders' shares in case of a control transfer; and ii) the identity of the controlling shareholders, with an emphasis on family control. We examined 87 Brazilian listed firms throughout the period, resulting in a sample of 3,287 observations. We find strong empirical evidence that two exogenous changes in Corporate Law that decreased (increased) the advantage of voting shares in terms of tag along rights reduced (incremented) DCP. However, we don't find robust evidence that the voluntary granting of tag along rights (an endogenous choice made by firms) altered DCP. We also find evidence suggesting that family control is positively associated with DCP level. Overall, our results indicate that regulations regarding shareholders' rights and the identity of controlling shareholders are two relevant corporate governance variables for DCP level in environments characterized by agency problem Type II. *(For more information, please contact: Richard Saito, Getúlio Vargas Foundation (EAESP/FGV), Brazil: rsaito@fgvsp.br)*

Session: 3.1.6 - Interactive

Track: Track: 5 - Structure, Capabilities, and Planning

Knowledge, Learning, Capabilities and International Business

Presented On: July 3, 2008 - 09:00-10:15

Chair: Robert Grant, Università Bocconi

The Influence of Knowledge Stickiness on Headquarter-Subsidiary Knowledge Transfer

Wann-Yih Wu, National Cheng Kung University

Chia-Ying Li, Providence University

To promote the effectiveness of knowledge transfer from the parent firm to its subsidiary is one of the most critical issues for multinational corporations (MNC) operations. Since knowledge is always sticky and difficult to transfer, the success of knowledge transfer is contingent not only upon various kinds of contextual variables, but also the process of knowledge transfer implementation and internalization. Previous studies did not consider the process of implementation and internalization variables, nor a more comprehensive research framework for MNC knowledge transfer. Thus, further investigation on the implementation and internalization of knowledge transfer is essential. The purpose of this study is to identify the influences of knowledge stickiness, knowledge transfer implementation and internalization on the performance of headquarter-subsidiary knowledge transfer. The results of this study indicate that, within acceptable limit, the increases of knowledge stickiness have positive and significant influences on knowledge implementation, internalization, and knowledge transfer satisfaction; while out of their acceptable limit, the increases of knowledge stickiness could deter the success of knowledge transfer from headquarter to its subsidiaries. Second, knowledge transfer implementation can influence on knowledge transfer internalization, innovation and satisfaction. Finally, knowledge innovation will have influence on knowledge transfer satisfaction. *(For more information, please contact: Chia-Ying Li, Providence University, Taiwan, R.O.C.: candy@pu.edu.tw)*

Strategic Change and MNE Performance: The Moderating Effect of Organizational Learning

Chaiporn Vithessonthi, Mahasarakham University
Amonrat Thoumrungroje, Assumption University

In this paper, we explore potential relationships among strategic change, organizational learning, and performance of multinational enterprises (MNEs). Specifically, this paper examines the effects of strategic change on MNE performance and the moderating effect of organizational learning on the relationship between strategic change and MNE performance. We argue that organizational learning can enhance or weaken the effects of strategic change on MNE performance. Furthermore, we suggest that the role of organizational learning becomes more critical for MNEs where knowledge transfer capability can be a source of competitive advantages and provide a basis for success in multiple-country markets. *(For more information, please contact: Chaiporn Vithessonthi, Mahasarakham University, Thailand: chaiporn.vithessonthi@gmx.ch)*

When Does Routine Matter to International Alliance Performance? Behavioral or Environmental Uncertainty

Chi-Yu Amy Huang, I-Shou University

We explore how uncertainty moderates the routine-performance relationship in international alliances, building on the distinction between behavioral uncertainty, which relates to anticipating and understanding partners' actions, and externally caused environmental uncertainty. We argue that routine matters more to performance under behavioral uncertainty and less under environmental uncertainty, and also international context increase effects of uncertainty to routine-performance relationship. We conclude that partners should concentrate on developing interorganizational routines where potential improvement in alliance performance justifies this effort, which in turn depends on the type of uncertainty faced. *(For more information, please contact: Chi-Yu Amy Huang, I-Shou University, Taiwan, R.O.C.: amy67039@ms27.hinet.net)*

Knowledge Building Trajectories and the Design of Organizational Boundary Spanning Activities

Dzidziso Samuel Kamuriwo, Cass Business School
Charles Baden-Fuller, Cass Business School

We present a framework of how knowledge building trajectories of technology-based new firms are made up of systems of interconnected choices: whether their organizational structure is virtual or integrated and their scope of knowledge inputs and market scope is narrow or wide. We argue that these choices require trade-offs that lead young firms to choose to develop selectively knowledge that exploits optimally one contingency but not the other. We found that managers take steps to limit negative consequences and different trajectories can use different contingency combinations to achieve high performance. Two longitudinal case studies in biotechnology sector illustrate the framework. *(For more information, please contact: Dzidziso Samuel Kamuriwo, Cass Business School, United Kingdom: d.s.kamuriwo@city.ac.uk)*

A Capability Perspective to Firm Globalization: The Case of Finnish Technology-intensive Firms

Paula Kilpinen, Helsinki School of Economics
Markus Paukku, Helsinki School of Economics
Anna Salonen, Helsinki School of Economics
Mika Gabrielsson, Helsinki School of Economics

This study deconstructs the so-called globalization process by distinguishing between the capabilities through which a firm is able to internationalize and those by which it globalizes, including those by which it copes with industry globalization. Taking a dynamic organizational capabilities perspective we argue that the differences between the concepts are significant enough to warrant distinction and offer a perspective deconstructing 'globalization' further than the current literature. Drawing upon a multiple case study we seek to extend the

literature and put forward three propositions that address the internal and external selection environments of the firm in order to better access the concept of globalization. *(For more information, please contact: Markus Pauku, Helsinki School of Economics, Finland: markus.pauku@hse.fi)*

Informational Complexity, Control and the optimal size of the MNE

Jean-Malik Dumas, Tilburg University
Jean-François Hennart, Tilburg University

Starting from an information-processing view of multinational management, this theoretical paper makes a number of propositions on how the marginal increase in a firm's information-processing requirements that results from its expansion will affect its performance. Our starting point is that the exploitation of synergies requires managerial control. Control, in turn, requires information processing. Hence there is a tradeoff between synergy exploitation and control costs. Firms should therefore balance the cost and the benefits of expansion. We propose that the information-processing tasks needed for control are determined by task interdependences and cultural diversity. Given that human processing capacity is subject to time compression diseconomies and bounded rationality, we propose that significant increases in information-processing requirements within a given time period will lead to information overload that will in turn decrease performance. Consequently marginal information processing requirements set a threshold for organizational growth above which cognitive limitations will lead to suboptimal decisions and therefore lower performance. Our theory may explain inconsistencies in current research on the multinationality – performance relationship. *(For more information, please contact: Jean-Malik Dumas, Tilburg University, Netherlands: J.M.Dumas@uvt.nl)*

How Large Multinationals Sustain Value Creation

Brian Mascarenhas, Rutgers University

Multinational firms are under pressure to deliver various types of value to multiple stakeholders in a diverse global environment. This study of 14 large multinational firms suggests that in order to deliver and sustain this value, managers need to build and coordinate three disparate but complementary orientations: 1. operational excellence, 2 internal competence development, and 3. external exchange. Operational excellence improves efficiency and frees up substantial resources for investment in the future. Internal development builds organically new core competencies. External exchange brings in needed resources efficiently and disposes non-core assets. Each orientation generates value, but has diminishing returns. Firms may overcome these limits and sustain value creation by building multiple orientations and by coordinating them interactively and sequentially. *(For more information, please contact: Brian Mascarenhas, Rutgers University, United States: mascaren@crab.rutgers.edu)*

Strategic Planning for Increasing Profitability: The Case of Marina Industry

Amos Raviv, College of Management-Academic Studies
Shlomo Yedidia Tarba, Ben-Gurion University and The College of Management
Tamar Almor, College of Management-Academic Studies

This study explores the international marina industry, encompassing both marina customers and managers. It puts forth the argument that marinas as business entities can create and sustain competitive advantage by maximizing the advantages that stem from their superior resources and core competences. Our research provides corroborative empirical evidence to the hypothesis that occupancy can be used as a proxy for marina's profitability.

Finally, our model provides tools for strategic planning and ongoing management of an existing marina and/or for the establishing of a new marina. *(For more information, please contact: Shlomo Yedidia Tarba, School of*

Management, Ben-Gurion University and School of Business Administration, College of Management-Academic Studies, Israel: tarba2003@gmail.com)

Session: 3.1.7 - Interactive

Track: Track: 6 - Learning, Knowledge and Innovation

Determinants of Innovation and Firms' Performances

Presented On: July 3, 2008 - 09:00-10:15

Chair: Marion Frenz, Birkbeck, University of London

Chasing Down the Balance: Impact of Potential and Realized Absorptive Capacity on Performance of Indonesian Public-Listed Firms

Tirta Nugraha Mursitama, University of Indonesia

The research examines impacts of absorptive capacity (ACAP) both potential absorptive capacity (PACAP) and realized absorptive capacity (RACAP) on performance empirically in the context of emerging economies applying resource-based view of the firms (RBV). This research is based on 52 samples of Indonesian public-listed companies whose market capitalization is accounted by for 38% of total market capitalization in Indonesian stocks market (JSX) in 2006. Drawing from Zahra and George's (2002) framework that distinguishes potential absorptive capacity (PACAP) and realized absorptive capacity (RACAP), results indicate firms with well-developed PACAP sustain competitive advantage through flexibility in reconfiguring and deploying their resources whereas firms with well-developed RACAP may sustain competitive advantage by its innovation and product development. Finally, firms with balance of high PACAP and high RACAP outperform firms with other balance between those two dimensions of ACAP. These findings support that the success development of Indonesian public-listed companies' capabilities through external knowledge acquisition, assimilation, transformation and exploitation is an important source of competitive advantage. *(For more information, please contact: Tirta Nugraha Mursitama, International Relations Department, Faculty of Social and Political Sciences, University of Indonesia, Indonesia: tirta.nugraha@ui.edu)*

A Study of Organizational Climate for Individual Innovation in China-based R&D Companies

Yi Zhang, University College Dublin

This study integrates three concepts: organizational climate, knowledge transfer and individual innovation. Three sets of hypotheses are proposed, tested and compared between two groups of Chinese R&D professionals in Chinese R&D companies and in China-based American R&D companies. The findings show that organizational-climate theory relates to innovative behavior with high reward, empowerment, team participation and sufficient knowledge resources, and the two groups have different relationships. *(For more information, please contact: Yi Zhang, University College Dublin, Ireland: yi.zhang@ucd.ie)*

Enhancing Innovative Performance: The Roles of Value Creation, Value Appropriation, and Geographic Expansion in Multinational Corporations

Chia-Wen Hsu, Yuan Ze University

Shao-Tzu Wu, National Chengchi University

Po-Chou Chen, Nan-Hua University

Literature on innovative performance has focused on the antecedents of or the outcomes of value creation; little attention has been paid on the effects of value appropriation. Furthermore, few studies have simultaneously examined the two competing impacts of innovative performance. By taking this omission into research

consideration, the present study examined (1) what effects do the two competing forces, value creation and value appropriation, have on innovative performance, (2) how much anticipated value appropriation is needed, and (3) whether firms should put different emphases on geographical expansion of different functions. Based on a longitudinal data of Taiwanese high-tech firms with experience in foreign expansion, the present study shows that while value creation is positively associated with innovative performance, an inverted U-shaped relationship between value appropriation and innovative performance exists. Moreover, geographical expansion of different functions results in different impact on innovative performance. Theoretical implications of these results and suggestions for future research are also discussed. *(For more information, please contact: Chia-Wen Hsu, National Taiwan University, Taiwan, R.O.C.: kevinjubi@yahoo.com.tw)*

The Determinants of Innovation Performance in China

Mario I. Kafouros, University of Leeds

Chengqi Wang, University of Nottingham

This paper examines empirically what conditions influence innovation performance in China. In other words, it investigates when firms that operate in China profit from innovation, and when they fail to do so. In order to achieve this objective, the paper analyzes the effects of a number of innovation determinants including FDI, international trade and domestic R&D. The results demonstrate that not all firms benefit from FDI, imports and exports. They also show that domestic R&D is the most important determinant of innovation, thereby contradicting previous studies which, using old data, found the role of R&D to be weak in Chinese industries. Similarly, in contrast to previous results for developed economies, the study shows that the impacts of firms' own research efforts are similarly high for both scientific and non-scientific firms, suggesting that innovation strategists should not underestimate the importance of domestic R&D for the performance and growth of such industries. *(For more information, please contact: Mario I. Kafouros, Centre for International Business, University of Leeds, United Kingdom: mk@lubs.leeds.ac.uk)*

Unit Innovativeness: The Role of Intra-and Inter-Unit level Social Capital and Knowledge Diversity

Yinghui Cao, Peking University

Menita Liu Cheng, Peking University

Changhui Zhou, Peking University

Drawing insights from network theory and knowledge perspectives, this paper investigates the determinants of unit innovation performance within a high-technology enterprise by incorporating social capital and knowledge diversity both at the intra unit level and the inter unit level. Our findings suggest that informal ties at both levels (intra- and inter-unit) highly influence innovation performance and, furthermore, intra-unit knowledge diversity has a significant moderating effect on the relationship between social capital and unit innovativeness. *(For more information, please contact: Menita Liu Cheng, Peking University, China: atinem@hotmail.com)*

The Influence of the Resources and the Competences in the Innovation: A Study of Multiple Cases in the Electric/Electronic Industry in Rio Grande Do Sul, Brazil

Aurora Carneiro Zen, Federal University of Rio Grande do Sul

Edi Madalena Fracasso, Federal University of Rio Grande do Sul

Resource Based-View was used to investigate the combination of resources and competences to innovate in the enterprises for this study. The developed framework is divided into four stages that lead to innovation. This study was carried out in three enterprises of the electric/electronic industry in Rio Grande do Sul, Brazil. Results indicated that motivation to innovate has its origin in the external environment, especially through actions by international competitors and customer's demands. With regard to firm resources, the following stand out: production outsourcing is a common strategy to all cases; interpersonal relationships and tacit knowledge are important in the innovation process; interorganizational relationships with clients, suppliers and universities

were also important. Complexity of projects was a main factor in the development of competences to cooperate and acquire financial resources. Analysis showed that the enterprises with shorter product life cycle applied more resources in the development of innovation. Analysis of one specific project developed in the three enterprises showed that human and organizational resources have more influence in the formation of competences to innovate, and consequently, in innovation capacity. *(For more information, please contact: Aurora Carneiro Zen, Universidade Federal do Rio Grande do Sul, Brazil: aurorazen@gmail.com)*

Explore the Potential Difficulty of 'Internal' Knowledge Flow and Innovation in MNC
Xuelin Liu, Hankuk University of Foreign Studies

Innovation of MNCs (Multinational corporations) requires knowledge flow from both external and internal dimensions. While obtaining innovation resources from external network ties is emphasised by research, the potential difficulty of internal knowledge flow is often under-emphasised. This paper suggests that lack of internal knowledge flow lead to failure of innovation projects. By comparing a process and a product innovation project in an MNC, this paper explores how cognitive and relational factors influence knowledge flow and innovation in positive/negative ways, and how those factors are structurally and culturally interrelated. This paper also offers insight into our understanding knowledge flow and innovation in MNCs in the context of contemporary China. *(For more information, please contact: Xuelin Liu, University of Leicester, China: xl_liou@hotmail.com)*

The Effect of Symbiotic Resources on Firm Performance, Efficiency or Effectiveness?

Ji Li, Hong Kong Baptist University
Gongming Qian, Chinese University of Hong Kong
Kevin Lam, Chinese University of Hong Kong
Chris W.L. Chu, Aston University

Based on existing organizational theories, especially an extended resource-based view of the firm, we test the joint effect of all symbiotic resources on two dimensions of firm performance, i.e., firm efficiency and firm effectiveness, among MNEs competing in a major emerging economies. Moreover, we also study the issue how the firms' country of origin moderates the relationship between symbiotic resources and firm performance. Relevant hypotheses are proposed and tested with empirical data from firms in a financial service industry. The results support our predictions about the effects of symbiotic resources as well as the moderating effect of country of origin. *(For more information, please contact: Ji Li, Hong Kong Baptist University, Hong Kong: jili@hkbu.edu.hk)*

Session: 3.1.8 - Interactive

Track: Track: 7 - FDI, Location, Firm-Location Interaction

FDI: Location, Location, Location

Presented On: July 3, 2008 - 09:00-10:15

Chair: Douglas Dow, Melbourne Business School

The Importance of Mimicry in Location Choice: A Contingent Approach

Lin Yuan, National University of Singapore
Nitin Pangarkar, National University of Singapore

In this study, we conceptually distinguish between two types of mimicry: inter-organizational mimicry and intra-organizational mimicry. Based on the arguments of the Knowledge-based View and Institutional Theory, we

argue that mimetic behavior by firms will vary with internal environmental complexity, learning capability and industry technology characteristics. We collected data on 661 international new entries by listed Chinese firms from 1993 to 2005 and examined the moderating effects of firm-level and industry-level characteristics. We find that International New Ventures (INVs), highly internationalized firms and firms in high technology industries are less mimetic. *(For more information, please contact: Lin Yuan, National University of Singapore, Singapore: g0403305@nus.edu.sg)*

Legitimation in Density Dependence Model: The Moderating Role of Firm and Location Heterogeneity
Nan Zhou, University of Pennsylvania

We define a niche in which legitimation is the dominant process so that we can study legitimation more directly. Furthermore, the relationship between population density and the likelihood to enter a new market is moderated by both firm and location specific factors. By linking neo-institutional theory and ecology theory, this study sheds new light on how legitimization processes unfold to influence a major strategic decision such as a firm's location choice of international expansion. We test these ideas using the location choice of Japanese firms' foreign investments during the period of 1992 to 2001 across different countries. *(For more information, please contact: Nan Zhou, University of Pennsylvania, United States: zhounan@wharton.upenn.edu)*

Factors Governing Global Cluster Success - A Tale of Twelve GEMS
Shyam Janardhan Kamath, Saint Mary's College of California
Jagdish Prasad Agrawal, California State University, East Bay
Kristine Chase, Saint Mary's College of California

Business and technological clusters are an enduring feature of every market economy, whether developed or developing. While developments in information, telecommunication and transportation technologies in the late twentieth and early twenty-first technology have been heralded as the death-knell of distance and geography for trade, investment and specialization, nevertheless space and location remain as critical elements in business and economic development in the form of geographic clusters of industries or groups of industries. Michael Porter's Four Diamond Model and his work on clusters remains the paradigm model for such cluster formation. Recent developments in the economics of geography and institutional economics and management indicate that Porter's and others models of cluster formation may be incomplete in their explanation of why clusters form. The Global Economic Management System (GEMS) model of cluster formation and sustenance extends Porter's and other scholarly work in outlining a comprehensive model of cluster formation and then testing its robustness against data collected from a large sample of cluster managers across the globe. The results indicate the importance of key success factors in cluster formation and provide guidelines for policy-makers and cluster managers for facilitating successful and sustainable clusters. They inform additional factors in FDI location.

(For more information, please contact: Shyam Janardhan Kamath, Saint Mary's College of California, United States: sjkamath@comcast.net)

Multinationals, Domestic Entrepreneurship and Location Strategies: Recent Evidence from Korea
In Hyeock (Ian) Lee, Western Kentucky University

This paper investigates location strategies made by multinational enterprises and domestic entrepreneurial firms in a sub-national context through the location-specific advantages (LSA) and firm-specific advantages (FSA) framework. Using the data on location decisions made by foreign direct investment (FDI) cases and domestic entrepreneurial firms in 234 sub-national regions of Korea from 2000 – 2004, it shows that both types of firms make similar location choices: they both respond in similar ways to the location choices made by their counterparts, the level of urbanization of each region, the market size and agglomeration, and an increase in their firm-specific advantages. It also evidences that each type of firm makes different location choices

depending on the heterogeneous interactions between location-specific advantages and firm-specific advantages. *(For more information, please contact: In Hyeock (Ian) Lee, Western Kentucky University, United States: ian.lee@wku.edu)*

The Locational Determinants of FDI in Transition Economies: Japanese FDI in Eastern Europe

Janina Lieser, King's College London

Roger Strange, King's College London

In this paper, we analyse the location selections of Japanese multinational companies in six Central and Eastern European countries (CEECs) from 1991 to 2005. The econometric analysis is undertaken through a multinomial logit model which incorporates classical location-specific attributes, as well as transition- and firm-specific variables to explain the uneven distribution of FDI within this region. This analysis reveals that foreign direct investment into the CEECs is mainly efficiency-seeking, and that the unemployment rate, wage level and agglomeration economies are key determinants of a country's attractiveness. The analysis also examined the importance of variables related to the progress of transition in these economies. It is shown that a higher inflation rate had a negative impact on FDI, whilst greater enterprise reform and price liberalisation contributed positively to attracting investment. Surprisingly, the quality of governance in the host economies did not have a significant impact, though we were working with a small sample of firms. Finally, the choice of location was shown to depend upon the R&D intensity of the investing firms. *(For more information, please contact: Roger Strange, King's College London, United Kingdom: roger.strange@kcl.ac.uk)*

Location Advantages and Repeat Investment in Australia

Paul Kalfadellis, Monash University

Understanding the repeat foreign direct investment determinants that impact on location has become increasingly important in an environment where governments both national and regional are seeking to not only attract but retain and embed existing foreign operations in their domains. This study examined the relationship between identified location advantages and the repeat investment intentions of foreign subsidiaries operating in Australia. Based on a sample of 356 foreign subsidiaries, a multiple regression model was used to test the relationship across two spatial dimensions, the national (Australia) and the regional (New South Wales [NSW] and Victoria). There were, differing predictive effects found to be significant in each situation. The implications of these results suggest that location specific policy responses are required in each situation in order to encourage repeat investment. *(For more information, please contact: Paul Kalfadellis, Monash University, Australia: paul.kalfadellis@buseco.monash.edu.au)*

Foreign Direct Investment and Corporate Political Strategies in the Context of Transition Economies

Alina Kudina, Warwick Business School

This paper applies concepts of institutional distance, competition and shelter-building strategies, and two-tier bargaining to develop a new framework for MNE's corporate political activities in transition economies. It is suggested that multinationals which employ endogenous approach to public policy are more successful in their operations in countries with poor institutional environment. Moreover, multinational companies from low institutional distance countries are hypothesised to be more successful in developing shelter-based capabilities in government relations in transition economies than their peers from high institutional distance countries, which are likely to find it more efficient to use the two-tier bargaining model in their negotiations with respective host governments. These theoretical developments are substantiated using some examples from the ground of Ukraine. *(For more information, please contact: Alina Kudina, Warwick Business School, United Kingdom: alina.kudina@wbs.ac.uk)*

Transition of the Industrial R and D System: From the State to Multinational Corporations: The Case of Hungary
Katherine Marton, Fordham University

With the industrial restructuring of the former socialist countries of Eastern and Central Europe, the local R and D system experienced fundamental changes as well. Specialized R and D institutions that supplied technologies to enterprises were downsized dramatically and new institutions emerged. Multinational corporations undertook significant investment in the advanced sectors of the industry and transferred technology to their local subsidiaries. Horizontal spillovers, however, were limited and in some cases were negative. Important vertical spillovers took place but were uneven by industrial sectors and type of companies. The special nature of R and D system in former socialist countries creates new opportunities for MNCs and challenges for local government policy makers. *(For more information, please contact: Katherin Marton, Fordham University, United States: marton@fordham.edu)*

Session: 3.1.9 - Interactive

Track: Track: 2 - Economics, Finance, Accounting, Taxation

International Economics, Strategy and Finance

Presented On: July 3, 2008 - 09:00-10:15

Chair: Jean-Claude Cosset, HEC Montreal

The Relative Valuation of Socially Responsible Firms: An Exploratory Study

Ali Fatemi, Depaul University

Iraj Fooladi, Dalhousie University

David Wheeler, Dalhousie University

In this paper we develop a model in support of the argument that the imposition of a "social responsibility" constraint could lead to increased profitability of the firm. To empirically test this, we compare the characteristics of firms making up the DS 400 index with that of a control group of firms not included in the DS 400. We find that socially responsible firms are, at a minimum, not dominated by their peer firms on the basis of returns. They are also not dominated by their peers on the basis of their betas, but dominate them on the basis of their degree of unique risk. Our analysis also indicates that a socially responsible orientation does not come at a cost to the shareholders. To the contrary, it appears that these firms provide their investors with risk/return opportunities that are at least equal to, and at time superior to, those provided by their peers. We find strong evidence indicating that socially responsible firms employ significantly less leverage in their capital structure. Finally, we find that firms that are added to (deleted from) the DS 400 Index experience a positive (negative) abnormal returns on the occasion of such announcements. *(For more information, please contact: Iraj Fooladi, Dalhousie University, Canada: iraj.fooladi@dal.ca)*

Effects of Cultural Difference and Liquidity on Cross Country Mergers and Acquisitions

Kiyoung Chang, Indiana University South Bend

Ha-Chin Yi, Texas State University-San Marcos

Yewmun Yip, University of South Dakota

In this paper, we examine whether the performance of U.S. companies engaging in cross-border mergers and acquisitions is influenced by the culture of the country in which the target firms are located. Contrary to the traditional cultural clash theory, we find that acquiring firms on average earn significantly higher CARs when they announce deals with target firms in countries whose cultures are disparate from that of the U.S.A. The result is robust regardless of methods of payment and whether target firm is private or public, but the effect is stronger for private firms. Cultural synergies alone, as discussed in international business literature, cannot

explain the superior performance of the deals between countries with greater cultural distance. We propose two alternative hypotheses that can better explain the observed empirical results: Self-selection hypothesis and liquidity hypothesis. *(For more information, please contact: Ha-Chin Yi, Texas State University, United States: hy11@txstate.edu)*

Corporate Governance in the Multinational Enterprise: A Financial Contracting Perspective

Diemo Dietrich, Halle Institute for Economic Research

Bjoern Jindra, University of Sussex, United Kingdom and Halle Institute for Economic Research

On the basis of incomplete financial contract theory, this paper proposes an integrated framework that allows us to study the interdependencies between internalisation decisions, firm-internal allocations of control rights, and the debt capacity of multinational enterprises. The model suggests that the financial constraint of an MNE and/or its supplier is an important determinant of internal governance structures complimentary to and interacting with institutional factors and proprietary knowledge. *(For more information, please contact: Bjoern Jindra, Halle Institute of Economic Research (DE)/Sussex University (UK), Germany: bja@iwh-halle.de)*

Opportunities of Growth Based Upon Real Options View: Case of Embraer

Dominik Metelski, University of Granada

Antonio Mihi-Ramírez, Universidad de Granada

Jesus Arteaga-Ortiz, Universidad de Las Palmas de Gran Canaria

We investigate the existence of a relation between R&D option value and other variables such as: relative probability of innovation, levels of capital expenditures, etc. Basically we observed that in the group of small companies, R&D costs are significantly positive, while Blue Chips show the opposite results as R&D costs are negative and statistically significant in this group. The empirical analysis also includes R&D projects valuation worksheet for Brazilian Embraer, which serves to study changes of its R&D projects performance when alterations of the environmental factors are projected. *(For more information, please contact: Antonio Mihi, University of Granada, Spain: amihi@ugr.es)*

Executive Compensation, Firm Performance, and Corporate Governance in Latin America

Jeferson de Araujo Funchal, University of Caxias do Sul

Paulo Renato Soares Terra, UFRGS University, Brazil

This paper examines the determinants of executive compensation in 79 firms from Argentina, Brazil, Chile, and Mexico that have issued American Depositary Receipts, controlling for corporate governance characteristics such as the nature of the board of directors, executive officers, and ownership structure. The results suggest that firm performance and corporate governance do not influence executive compensation, while firm size and executive tenure are statistically significant. *(For more information, please contact: Paulo Renato Soares Terra, UFRGS University, Brazil, Brazil: prsterra@ea.ufrgs.br)*

Foreign Ownership, Firm Value and Currency Depreciation: Evidence from Indonesia

Alain Chevalier, ESCP-EAP Paris

Agustinus Prasetyantoko, Atma Jaya Catholic University

This paper intends to investigate the relationship between firm value and foreign ownership when the currency depreciation is present. The sample is listed companies in Jakarta Stock Exchange for period 1994 – 2004. We employ two principal measurements of firm value, namely market value (Tobin's Q and market capitalization growth) and fundamental value (Return-on-assets /ROA and net income growth). This paper finds that at the time of depreciation, generally, firms have higher firm value, but it falls in the year after depreciation. Our

findings also show that currency depreciation decreases firm value of local firm more significantly than foreign owned ones. In such a case, firm with majority foreign ownership is predicted to have a high firm value. This paper also finds that debts contribute to the deterioration of the firm value, due to currency depreciation. *(For more information, please contact: Agustinus Prasetyantoko, Atma Jaya Catholic University, Indonesia: aprasety@ens-lsh.fr)*

The Practice of Corporate Finance in the Middle-East

Abdelaziz Chazi, American University of Sharjah
Paulo Renato Soares Terra, UFRGS University, Brazil
Fernando Caputo Zanella, United Arab Emirates University

This paper reproduces the well-known Graham and Harvey (2001) survey to inquire about the practice of corporate finance in four Middle Eastern countries: Bahrain, Kuwait, Oman, and United Arab Emirates. All firms analyzed are located in countries that abide by a mix of Islamic Law and secular Laws, mainly the French law and Common law. Despite unique firms' characteristics and institutions, CFOs are acting roughly similar to their counter-parts in the U.S. and Europe. *(For more information, please contact: Paulo Renato Soares Terra, UFRGS University, Brazil, Brazil: prsterra@ea.ufrgs.br)*

Resource Allocation within MNCs: Sibling Rivalry or Family Unity?

Susan Feinberg, Rutgers University
David Berg, University of Wisconsin, Milwaukee

Recent debate on the topic of "offshoring" has focused on the issue of employment shifts and the resulting policy implications. In this paper, we explore whether attractive growth opportunities in an MNC's home or host markets draw resources and attention away from other markets. When growth in one market adversely affects, or is affected by, growth prospects elsewhere within the MNC, there is competition for resources within the firm. We refer to this as "resource-constrained growth."

Using affiliate-level and parent-level panel data on over 2400 US MNCs from 1989 to 2003, we find that attractive combinations of market growth and affiliate efficiency elsewhere restrain growth in the focal affiliate. Parent growth, however, is positively related to the existence of attractive growth opportunities in the MNC's network of foreign subsidiaries. *(For more information, please contact: Susan Feinberg, Rutgers University, United States: feinberg@business.rutgers.edu)*

Session: 3.1.10 - Interactive

Track: Track: 9 - Internationalization and Intl. Marketing

Internationalization Strategies

Presented On: July 3, 2008 - 09:00-10:15

Chair: John Daniels, University of Miami

International Technology Protection, Multi-Market Competition, and Firm Performance

Kuo-Feng Huang, National Cheng-Chi University

Multi-market competition asserts that firms will consider the response of competitors since they are afraid of the counterattack by the competitors. This paper provides an empirical investigation whether international technology protection mechanism will be a signal for the multi-market competition. The findings suggest that a firm's domestic technology protection is positively associated with market performance. However, a firm's

domestic technology protection is less likely positively correlated to its market performance if the firm adopts international technology protection. This implies that the effect of the multi-market competition may occur even though the firms only employ international technology protection mechanism. *(For more information, please contact: Kuo-Feng Huang, National Cheng-Chi University, Taiwan, R.O.C.: kfhuang@nccu.edu.tw)*

Research on Firm Export Performance over the past 10 Years: A Narrative Review

Andreas Bausch, Friedrich-Schiller-Universität Jena
Tonia Ruppenthal, Jacobs University Bremen

In 1989, Aaby & Slater published a seminal framework by describing an integrative model of export performance. In their framework managerially controllable variables, i.e. internal influences are directly related to export performance. However, literature shows that also external influences affect export performance.

Twenty years later, the findings of influencing variables and their direction of influence on export performance are still inconsistent. To clarify the deficiency, our paper makes three major contributions. First, the narrative analysis qualitatively reviews existing research (n=91) undertaken within the last decade to classify and reconcile obtained results. Second, hypotheses are formulated thru the inference of three major theories, resource-based view of the firm, industrial organization theory, and institutional economics, suggesting that firm, industry, and institutional factors are major causes for the relationship with export performance. Third, on the basis of the narrative analysis, an integrative, dynamic framework explaining the effects of various independent variables and their direction of influence on export performance is developed. *(For more information, please contact: Tonia Ruppenthal, Jacobs University Bremen, Germany: t.ruppenthal@jacobs-university.de)*

Service Export Performance: The Role of Organizational and Market Drivers

Vinh Nhat Lu, University of Adelaide
Pascale G. Quester, University of Adelaide
Christopher J. Medlin, University of Adelaide

As the global marketplace becomes increasingly integrated, firms well-equipped with sufficient knowledge on the key drivers associated with their international success are able to maintain their strategic foothold and competitive advantage across national borders. In this context, service firms have emerged as crucial contributors to the world's economy. Nevertheless, there is very limited knowledge on the international operations of service firms, and what drives their export performance. This study investigates the success determinants of service exporting firms and proposes a conceptual framework on the key drivers of service export performance. Data from the in-depth interviews with executives of service firms indicate that organizational drivers, including management attitude, resource commitment, and international experience and reputation, significantly enhance their performance. The executives, however, disagreed on the role of firm size in service exports. Additionally, the research reveals the service exporters' performance in overseas markets is also determined by certain foreign market characteristics, such as competition intensity and actions by the host governments. Finally, export promotion, in the form of home government's export assistance and actions by industry-based associations, also play a role in determining the service firms' export success. *(For more information, please contact: Vinh Nhat Lu, The University of Adelaide, Australia: vinh.lu@adelaide.edu.au)*

The Role of Experience and Perceived Uncertainty in Operation Mode Choice - Case of Finnish Firms in Asia

Minnie Margie Kontkanen, University of Vaasa

The purpose of the paper is to identify uncertainty and experience types relevant in operation mode choice context, explore which experience and uncertainty types are negatively related and how do they influence operation mode choice. A structural model was developed and tested by a sample of 60 Finnish cases having licensing, joint venture or wholly owned subsidiary operations in Asia. The PLS estimation technique, was used

to explore the proposed model. The results of the study suggest that the role of experience in influencing the level of perceived uncertainty varies based on the type of experience and type of uncertainty. In addition, perceived socio-cultural, demand and behavioural uncertainty had a role in operation mode choice (*For more information, please contact: Minnie Margie Kontkanen, University of Vaasa, Finland: mish@uwasa.fi*)

Performance Benefits of Internationalization for Firms from Small Countries
Stephen Chen, Macquarie University

Despite many years of research, empirical studies of the relationship between internationalization and performance of firms have given conflicting results. Some recent studies have suggested that most firms tend to favor internationalization in the same region but little research has been conducted on regional effects in the internationalization-performance relationship. Furthermore, little research has been done on firms from small countries. This paper aims to fill some of this gap by testing the regional effects in the internationalization-performance relationship in a sample of firms from four small export-dependent countries: Switzerland, Finland, Singapore and New Zealand. (*For more information, please contact: Stephen Chen, Macquarie University, Australia: stephen.chen@mq.edu.au*)

Internationalisation Patterns Over Time - An Empirical Study
Martin Jager, University of Trier
Bernhard Swoboda, University of Trier
Dirk Morschett, University of Fribourg
Thomas Foscht, California State University

A wide body of research addresses dynamic internationalisation over time. This paper moves in this field, but not on the basis of case studies or single patterns only. We use an integrative approach (development of operation modes, country markets and value-added transfer over time), a large sample size in five major German industries and a management perspective, questioning mostly owners of SMEs that are not subject to publication requirements about their situation today and ten years ago. Conceptually based on behavioural, born-global and configurational research, the integrative framework was tested using a two-step clustering algorithm based on log-likelihood distance measures to identify characteristic development clusters over time. The results characterise two-thirds of the internationalisation processes of SMEs as incremental evolution and one third as non-incremental, revolutionary development. This could be linked to selected internal resources, but also to external market factors as determinants, even if the results in this section are of an exploratory nature. (*For more information, please contact: Martin Jager, University of Trier, Germany: m.jager@uni-trier.de*)

Environmental Marketing Strategies in the Global Hotel Industry: Insights from an International Project
Constantinos Leonidou, Leeds University
Leonidas Leonidou, University of Cyprus

Even though environmental issues have been in the forefront of society during the last 40 years, extant empirical research has long ignored the influence of the natural environment in marketing strategy formulation and implementation. This is particularly true with regard to firms engaged in international activities as well as those operating in the services sector. Based on the resource based view of the firm, this study aims to fill this gap by developing and testing a model of antecedents (e.g., resources and capabilities) and consequences (e.g., competitive advantage and performance) of environmentally-friendly marketing strategies in the global hotel industry. The moderating effect of foreign environmental and market factors on the link between environmental marketing strategy and competitive advantage is also examined. Several conclusions and implications for international marketing managers are derived from the study findings and directions for further research are provided. (*For more information, please contact: Constantinos Leonidou, Leeds University, United Kingdom: buscle@leeds.ac.uk*)

Session: 3.1.11 - Interactive

Track: Track: 11 - FDI in and from Emerging Markets

Foreign Direct Investment in Emerging Markets

Presented On: July 3, 2008 - 09:00-10:15

Chair: Ravi Ramamurti, Northeastern University

Determinants of FDI in Emerging Markets: Evidence from Brazil

Claudio Felisoni de Angelo, University of São Paulo

Rangamohan Venkata Eunni, Youngstown State University

Nuno Manoel Martins Dias Fouto, University of São Paulo

This study attempts to isolate the factors that influenced the flow of foreign direct investment (FDI) into Brazil during the years 2000 to 2007, a period that saw stabilization of the Brazilian economy as a result of the Plano Real. Based on a review of extant literature on FDI in emerging markets, we hypothesized that internal market growth, country risk, currency exchange rate, interest rate on consumer financing and improved stability of the Brazilian economy have had variable impacts on the inflow of FDI into Brazil. Using monthly consumer sales and economic data for the years 2000 to 2007, we find that internal market growth represented by consumer sales had by far been the most significant determinant of FDI in Brazil. Implications for policy are discussed. *(For more information, please contact: Rangamohan V Eunni, Youngstown State University, United States: rveunni@ysu.edu)*

Does China have more Regional FDI Stock than Gravity would suggest?

Walid Hejazi, University of Toronto

It is an empirical regularity that the activities of multinational corporations are concentrated in their home region. This has been shown to be the case for a majority of the 500 largest multinationals as well as for subsets of this 500 sorted by region or industry. The analysis has also been applied to the activities of a sample of all US and OECD multinationals, aggregated by country. These concentrations have been explained using theories, such as region-bound FSAs which constrain the ability of multinationals to internationalize, as well as transactions costs which make doing business outside a multinational's home market more costly. To date, there has been no analysis that focuses on multinational activity either originating in or destined for China. This paper works to fill that void. Using data on FDI into China from each investor country over the period 1995 to 2005, this paper documents a significant regional concentration of Asian multinational activity operating within China. This regional concentration is sustained even after the special relationships with Hong Kong and (other) Offshore Financial Centres are accounted for. The evidence therefore extends the evidence of regional concentrations of MNE activities found elsewhere to China and its relationship with Asia. The evidence also shows that both Europe and NA have participated significantly in China in terms of these FDI relationships. *(For more information, please contact: Walid Hejazi, University of Toronto, Canada: hejazi@rotman.utoronto.ca)*

Antecedents and Consequences of New Venture Growth Strategy: An Empirical Study in China

Huan Zou, Loughborough University

Xiaoyun Chen, University of Macau

Although current literature on new venture growth has focused on why new ventures grow relatively less attention has been paid to the how that growth is occurring. This article adopts the resource-based view to investigate the antecedents and consequences of new venture growth strategy. We identified three generic

growth patterns of Chinese high-tech new ventures – organic growth, partnership growth and acquisition growth based on 252 completed questionnaires. Consideration has been given to identify respective resources and capabilities associated with different growth strategies. Technological capabilities, strong and weak networks, marketing capabilities and financial resources are found to have different effects on different new venture growth strategies. In addition, the growth strategies show differentiated effects on performance in terms of survival, competitive advantages and profits. *(For more information, please contact: Huan Zou, Loughborough University, United Kingdom: h.zou@lboro.ac.uk)*

Foreign Direct Investment and Aid: Engines for Growth in Transition Economies?

Fragkiskos Filippaios, London School of Economics
Carmen Stoian, University of Kent

The key aim of this paper is to investigate the role of Foreign Direct Investment and aid as engines of growth for the transition economies. We build a holistic framework and then examine empirically the triangular relationship between growth, international aid flows and foreign direct investment flows. Particular emphasis with respect to the empirical investigation of the relationship was placed on the Central and Eastern European transition economies and on the role of institutional factors in enhancing growth, aid and FDI. We use a representative sub-sample of sixteen European post-communist economies some of which have joined the EU, are likely to join or have political and economic agreements with the Union. We have found that in transition economies institutional improvements alone do not enhance economic growth, nor do foreign direct investment and aid without the appropriate institutional framework. This suggests that governments need to start the virtuous circle of reforms by creating a favourable institutional framework and by attracting aid into the country, given that MNEs are more likely to need structural reforms and signals of future economic growth before deciding to enter these markets. *(For more information, please contact: Fragkiskos Filippaios, London School of Economics and Political Science, United Kingdom: f.filippaios@lse.ac.uk)*

The Determinants Of Outward Foreign Direct Investment From Emerging Markets - The Case of Brazil and Argentina

Doreen J. Gooden, Florida International University
Twila M. Logan, Florida International University
Helen K. Simon, Florida International University

In recent years there has been an increase in outward foreign investment from emerging markets. This paper examines the determinants of outward foreign direct investment (OFDI) from Brazil and Argentina and identifies the similarities and differences in the factors that influence each country's investment strategy. The results show that for both countries, distance is negatively correlated to OFDI. Argentina's OFDI is highly correlated with host country GDP which is consistent with MMCs' market seeking objectives. For Brazil, there is evidence that exports and OFDI are complements and that Brazil invests in smaller countries. These results are consistent with previous empirical work done in other countries. *(For more information, please contact: Doreen J. Gooden, Florida International University, United States: goodend@fiu.edu)*

Financial Sector Reform and Foreign Direct Investment in Vietnam, a Legal, Institutional and Organization Approach

Aidan O'Connor, ESCM School of Business and Management
Claudio Dordi, Università Bocconi

Vietnam was accepted as a member of the World Trade Organization (WTO) in 2007. Quite separately from this Vietnam had been in a process of reforming its financial sector since the late 1980s. The initial phase was essentially a move from a mono-banking system to state-owned commercial banks and the banking industry consisted of these along with private banks, termed the joint stock banks, as well as, foreign bank branches and

joint venture banks. The subsequent phase of reform in the late 1990s was much more wide ranging, including mergers of some joint stock banks. The current phase includes the planned equitization of the state-owned commercial banks and better supervision and regulation, as well as, the upgrading of management competencies and the introduction of technology, to be achieved by making it incumbent on acquiring banks and a factor in the approval of a license. Apart from privatization, there are also institutional measures to have de jure equal treatment of domestic and foreign banks. The government envisages that economic development due to WTO membership and financial sector and institutional reform to developed economy levels shall attract foreign banks to invest directly and lead to a more efficient banking system. *(For more information, please contact: Aidan O'Connor, ESCEM School of Business and Management, France: aoconnor@escem.fr)*

Do Governing Institutions Affect Foreign Direct Investment Inflows? New Evidence from Emerging Economies

David Adam Wernick, Florida International University

Shane Singh, Michigan State University

Jerry Haar, Florida International University

Do countries with strong governing institutions and business-friendly policies attract proportionally more foreign direct investment (FDI) than those with weaker institutions and a less favorable policy mix? This study seeks to answer this question by examining data on FDI inflows for a sample of 64 emerging economies over a 10-year period (1996-2006). Utilizing governance data from the World Bank, the relationship between a composite institutional variable and FDI performance is analyzed, and conclusions are drawn about the link between institutional quality and FDI performance. Policy ramifications are considered. *(For more information, please contact: David Adam Wernick, Florida International University, United States: wernick@gmail.com)*

Session: 3.1.12 - Interactive

Track: Track: 6 - Learning, Knowledge and Innovation

Knowledge Creation, Acquisition and Transfer

Presented On: July 3, 2008 - 09:00-10:15

Chair: Lucia Piscitello, Politecnico di Milano

Trust and Guanxi in Tacit Knowledge Acquisition: Big Four Department Stores in Shanghai (1917-1949)

Haiming Hang, Reading University

Andrew Godley, Reading University

Although the importance to local firms in emerging economies like China of acquiring tacit knowledge from their multinational counterparts has been well documented, to date little empirical research has been conducted exploring the exact mechanism of this, in particular examining how trust and guanxi could influence the dynamic process of tacit knowledge acquisition both at staff and organizational level. Furthermore, the methodology of cross sectional panels dominate current research on this topic, but such snapshots by definitions can not provide valid explanations about causality among them. Using an organization-learning lens, the research presented below has developed a conceptual framework and adopted a qualitative longitudinal retrospective case study designed to track the influence of trust and guanxi on the tacit knowledge acquisition process in what were the renowned four foreign department stores in old Shanghai. By focusing on context-rich longitudinal study, this research has found that trust and guanxi could actually have deleterious effects on knowledge acquisition, in contrast to previous research that concluded there were only positive relationships between them. *(For more information, please contact: Haiming Hang, the University of Reading, United Kingdom: h.hang@rdg.ac.uk)*

Does Organizational Culture Enhance the Effect of Organizational Rewards on Knowledge Shared and Knowledge Gained?

Dilek Zamantili Nayir, Marmara University
 Shaista E. Khilji, George Washington University
 Xiaoyun Wang, University of Manitoba

Organizations whose people have superior knowledge and who are able to share it, will develop a fundamental source of competitive advantage. Knowledge sharing improves organizational performance, organizational learning and innovation. Knowledge management can not be successfully implemented without the help from Human Resource Management (HRM). Especially factors such as organizational culture and organizational rewards are of great importance for knowledge sharing and gaining to occur. In this paper we question whether the organizational reward system and organizational culture on knowledge sharing affects knowledge shared and knowledge gained. We try to understand the effects of organizational culture on knowledge sharing and ask, whether and to what extent a knowledge sharing culture influences knowledge shared and knowledge gained. The paper reviews the concepts of knowledge sharing/gaining, organizational culture and organizational rewards, discusses research methodology, introduces the measures used for the research and discusses results and implications. We find that the HRM reward and organizational culture on knowledge sharing are positively and significantly correlated with knowledge shared and knowledge gained. We also find that culture and reward interact with each other to associate with knowledge gained. Another outcome of the study is, that organizational culture does not interact with HRM reward to influence knowledge sharing. *(For more information, please contact: Dilek Zamantili Nayir, Marmara University, Turkey: dznayir@marmara.edu.tr)*

Reverse Knowledge Transfer and EMNC's New Product Development Capabilities: Exploring the Effect of Organizational Resources

Qin Yang, Robert Morris University
 Crystal Xiangwen Jiang, Temple University

MNCs from emerging economies (EMNCs) have strong motivation to acquire and integrate advanced knowledge to improve their innovative capabilities. Reverse knowledge transfer (RKT) from subsidiaries in developed countries to their headquarters is an important means to achieve this goal. Previous research has studied knowledge transfer and new product development separately. In this article, we explore the relationship between reverse knowledge transfer and new product development in EMNCs. In particular, we emphasize the mechanisms through which headquarters transform the acquired knowledge through reverse knowledge transfer into new product development capabilities.

Based on the resource-based view and upper echelon perspective, three organizational factors are identified as essential to the EMNC's knowledge integration progress, they are: research and development (R&D) team heterogeneity, slack resources, and top management team's commitment. We propose that organizational resources moderate the positive relationship between reverse knowledge transfer and new product development capabilities of EMNCs. This article implies how EMNCs can achieve a successful reverse knowledge transfer and enhance their innovative capabilities. *(For more information, please contact: Qin Yang, Robert Morris University, United States: yang@rmu.edu)*

FDI and Knowledge Creation: The Interdependence between FDI and Domestic R&D in a Panel Data

Ryh-song Yeh, Asia University
 Huilin Lin, National Taiwan University
 Hsin-I Lin, Taichung Precision Machinery Research Institute

Outward FDI as a form of internationalization helps a firm create knowledge which in turns becomes the ownership advantages for engaging in overseas activities. R&D is viewed in this paper as a proxy of knowledge creation. A panel data of 836 firms of electronics firms in Taiwan are drawn to examine this interdependence

between FDI and domestic R&D. A special attention is paid to the FDI toward China and domestic R&D for its importance in Taiwan economy. Four fixed effect models are specified and the empirical results confirm the interdependence overall. However, due to the different nature of FDI to developed countries (asset seeking) and to China (asset exploitation). A typical firm engages in FDI in China is pushed by wage increase, and international competitive pressure (export and slow sales growth), and the gains or profits from the investment in China support knowledge creation or R&D activities at home. Then, the resource base built through FDI in China encourages FDI in developed countries to acquire technological, marketing or other organizational assets to further strengthen domestic knowledge base in Taiwan. Limitations and future research are finally discussed. (For more information, please contact: Ryh-song Yeh, Asia university, Taiwan, R.O.C.: rsyeh@asia.edu.tw)

The Determinants of Technology-transfer through International Network Formation: Revisiting the Role of Cultural Variation

Yong Suhk Pak, Yonsei University
Ki Hyun Ryu, Yonsei University

This paper studies the factors affecting the technology-transfer within international R&D networks. We examine the characteristics of ties, actors, and international network configuration to assess firm's accessibility to unique technologies. The total sample size used in this study is 125 cases of international R&D consortiums from January, 1980 to December, 2000 in the aerospace industry. The result of this study supports the effects of 'strength of tie' and 'characteristic of actors' on the technology transfer explained by network theory. It also demonstrates that the international network structure that would facilitate the technology transfer is shaped by dual type of tie; the functional tie and the cultural tie. (For more information, please contact: Ki Hyun Ryu, Yonsei University, Korea, South: aim7@yonsei.ac.kr)

Finding out and Cultivating the Brokerage to Transfer Knowledge between the Parent and Subsidiaries with Social Network Analysis

I-Fang Ho, National Taiwan University

Applying the social network theory, the brokerage is efficient in accessing and transferring nonredundant knowledge from different networks. Since the knowledge becomes one of the most important factors of MNCs' success, this article is trying to build up a conceptual framework connect the idea of brokerage and knowledge transferring between the parent and its subsidiaries. The core concept we discuss here first focus on finding out the brokerage of parent and its subsidiaries. By finding out the brokerage, it might be efficient to transfer both explicit and tacit knowledge by the brokerage. And the brokerage might be identified through social network analysis. Secondly, if it might be beneficial for parent to find out the brokerage and transfer useful knowledge by the brokerage, can we try to cultivate the brokerage? But how or what's the result? We would try to discuss these two core questions above and try to build up some propositions. Also, in this article, we are going to implement the empirical research. As a result, we would try to set up a workable research design for our future study. (For more information, please contact: I. F. Ho, National Taiwan University, Taiwan, R.O.C.: d93724012@ntu.edu.tw)

Organizational Learning in International Projects: Overcoming Distance by 'Temporary Embeddedness'

Florian A. Täube, Imperial College, London

This paper examines knowledge and learning in internationally distributed project work. Drawing on project business and learning literatures (Brady and Davies 2004; Prencipe and Tell, 2001) and international management and economic geography literatures (Grote and Täube, 2007) we develop a theoretical framework to analyze learning in international projects. Anecdotal evidence suggests an uneven distribution of knowledge and learning in cases where firms establish offshore project teams, e.g. in India, in contrast to recent literatures propagating a 'flattening of the world'. The contribution of this paper lies in the integration of different literature

streams; it implies that in international contexts organizational learning is even more challenging than in purely domestic settings, due to additional complexities exemplified by geographical and cultural distance. Initial findings from three case studies in the UK-India construction industry setting suggest that this is overcome by what we term 'temporary embeddedness'. *(For more information, please contact: Florian A. Täube, Tanaka Business School, Imperial College, London, United Kingdom: f.taeube@imperial.ac.uk)*

Unbundling the Value Chains in the European Automobile Industry – What can we Learn from a Strategic Point of View?

Helmut M. Dietl, University of Zurich

Susanne Royer, University of Flensburg

Uwe Stratmann, University of Flensburg

European vehicle manufacturers were formerly characterized by a high degree of central control and in-house value adding activities. During the past two decades this dramatically changed when integrated production and distribution systems have been replaced by heterogeneous and complex organization architectures. The aim of this paper is to investigate how the unbundling of value chains that led to different forms of organization of value adding activities and processes around a product does affect firm competitiveness. This is illustrated by an in-depth case study of the European Automobile industry before conclusions are drawn regarding the implications of this new approach. *(For more information, please contact: Susanne Royer, University of Flensburg, Germany: royer@uni-flensburg.de)*

Session: 3.1.13 - Interactive

Track: Track: 11 - FDI in and from Emerging Markets

Strategies of Emerging Market Multinationals

Presented On: July 3, 2008 - 09:00-10:15

Chair: John Mezias, University of Miami

Patterns of Multinationals' Technological Strategies in Emerging Economies: Evidences from Brazil and India

Eliane Franco, University of New South Wales

Pradeep Kanta Ray, University of New South Wales

Sangeeta Ray, University of Sydney

This paper will identify assets-seeking patterns pursued by Multinational Enterprises (MNEs) to capture and develop innovative capabilities in two large emerging economies: India and Brazil. Despite both countries have presented similarities in location advantages (high internal market and abundance in natural resources), as well as in internationalization level of economic structure, we found significant differences within and cross-countries in terms of strategies of MNEs affiliates oriented to innovation. While these firms in Brazil have taken more 'stand-alone' practices, focused on one specific kind of innovation-oriented asset (licensing, physical capital or skilled personal), MNEs in India have adopted more complementary assets-based strategies, combining different kinds of local or foreign knowledge (such as licensing and skilled personal) to leverage innovative capabilities. The results suggest MNEs have been creating different levels of involvement with local productive and innovation systems in Brazil and India. Such heterogeneity in assets-seeking MNEs behaviour combined with different country's competences in attracting more-knowledge intensive foreign investments, have created different opportunities for these countries to be engaged in the global value-chain. *(For more information, please contact: Eliane Franco, the University of New South Wales, Australia: eliane_franco@uol.com.br)*

Competitive Positioning Strategies for Local Advertising Agencies in Emerging Markets

Rick T. Wilson, Hofstra University

Local (e.g., domestic) advertising agencies in emerging markets are under great pressure to perform due to competitive pressures brought about by the arrival of so many international agencies. To succeed, local agencies are encouraged to assess their endowed resources in order to formulate effective competitive positioning strategies. To facilitate this process, we merge two research streams – the resource-based view of the firm and advertising agency selection – to offer a framework and 10 research propositions for how local advertising agencies in emerging markets can thrive in a global marketplace. Resource endowments affecting competitive positioning strategies are critically examined in an effort to establish a research agenda for advertising agency strategy in emerging markets. *(For more information, please contact: Rick T. Wilson, Hofstra University, United States: rick.t.wilson@hofstra.edu)*

Is Complementary Investment the key to Success of Multinational Enterprises in Developing Country Context?

Amar K.J.R. Nayak, Xavier Institute of Management

While factors such as first mover advantage, ownership, asset specificity, length of operation, and firm-specific political resources have been identified as determinants to success of multinational enterprises, this paper argues on the significance of complementary investments for success of multinational enterprises in developing country context. Through hierarchical clustering analyses of fifty one multinational enterprises in India, three companies were selected for detailed analyses of their strategies and success in India. Multiple regression and artificial neural network analyses of firm level data and aggregate data were subjected to confirmatory statistical tests to verify the hypotheses. Empirical evidences show that investments in complementary businesses in respective industries hold the key to success of enterprises in a developing host country that is usually deficient of local institutions, infrastructure and intermediate markets. The article also provides a holistic strategy framework with long term investment, commitment and concern that fits to a developing host economy. *(For more information, please contact: Amar K.J.R. Nayak, Xavier Institute of Management, India: amar@ximb.ac.in)*

Diversification, Resource Concentration, and Business Group Performance: Evidence from an Emerging Economy

Chien-Nan Chen, National Taiwan University

Wenyi Chu, National Taiwan University

In recent years, the performance of diversified business groups in emerging economies has been a central research topic in management literatures. Most prior studies concern about how the group effect influences the performance of affiliated companies, rather than the performance of the whole group. Different from existing research, this study argues that product/market diversification might not have significant influences on group performance; in stead, the resource concentration within a business group places a strong positive effect on group performance. Based on data collected from 105 business groups in Taiwan, our empirical findings provide support to our hypotheses. Findings of this paper differ from existing studies on strategy and firm performance in emerging market economies, but reaffirm our conventional knowledge on the relationship between diversification and firm performance, and support the notions of the resource-based approach to diversification. *(For more information, please contact: Chien-Nan Chen, National Taiwan University, Taiwan, R.O.C.: d92741007@ntu.edu.tw)*

Foreign Ownership, Knowledge Development, Firm-specific Factors, Management and Performance of Foreign Companies in Japan

Mehdi Rasouli Ghahroudi, University of Tsukuba

This empirical study examines first the impact of knowledge development factors, parent firm-specific and subsidiary characteristics on foreign affiliated performance. Second, we explore the relationship between firm specific factors and foreign ownership ratio. Based on primary data from 3500 affiliates of MNCs in Japan, the findings show that the factors of industry, foreign employees and size of parent firm and subsidiary demonstrate a statistically significant on performance. In contrast, country of origin, foreign manager and experience do not have any significant impact on performance of foreign affiliates. Finally, our findings indicate that foreign ownership ratio has a positive relationship with knowledge development factors, import and export ratio of foreign affiliates. *(For more information, please contact: Mehdi Rasouli Ghahroudi, University of Tsukuba, Japan: rasouli53@hotmail.com)*

Foreign Market Servicing Strategies of International Telecommunications Operators in China – A Resource-based Perspective

Malcolm Chapman, University of Leeds

Jeremy Clegg, University of Leeds

Mary Leung, Leeds Metropolitan University

Previous research proves service industries tend to encounter higher institutional barriers than do manufacturing industries. These barriers are often of a regulatory kind. Despite rapid market liberalisation throughout the world, foreign market entry in services is still constrained in many emerging and transition economies, therefore “How can we enter a market that we are not allowed to enter?” In this paper we explore answers given to this question through the experience of international telecommunication services operators, in their attempts to find a positioning strategy in the pre-establishment phase. With reference to the resource-based view of the firm, this research reveals that engaging in non-core business and setting up a representative office can assist service MNEs to transfer new resources to emerging markets where market potential and uncertainty are both high. The uncertainty associated with transitional economies makes it appropriate that early stages of market entry should occur through the building of relationships. This is particularly important where the host economy and government are in the early stages of devising and implementing systems of industrial regulation. The presence of a company at this stage allows it to have knowledge of, and possibly influence over, the shape and direction of regulation. *(For more information, please contact: Mary Leung, Leeds Metropolitan University, United Kingdom: m.leung@leedsmet.ac.uk)*

Bottom of the Pyramid Strategies of Locals and Multinationals: Knowledge Development and Exchange in International Business Networks

Joseph Ganitsky, University of Miami

The Bottom of the Pyramid (BOP) represents both the greatest challenge and the largest market and growth potential of the XXI Century. If ignored, BOP members will become the greatest threat to local and global peace and prosperity. If enabled, they will transform into active participants and beneficiaries of today's global economy while contributing to eliminate poverty. This exploratory study examines several Latin American firms within two spectrums relevant to those at the BOP: (1) creation of jobs for them, and (2) marketing goods/services to them. It highlights subtle differences between them and more important with multinationals in terms of their mindsets, priorities, knowledge, resources, expertise, and relations towards this traditionally ignored target market. To succeed in developing the earning capabilities and meet the consumption needs of those in the BOP these firms must (1) mesh the needs of BOP members within their cultures, and (2) exchange their distinctive expertise so as to enhance the value of the emerging global network of firms serving the BOP. *(For more information, please contact: Joseph Ganitsky, University of Miami, United States: jganitsky@gmail.com)*

Session: 3.1.14 - Interactive

Track: Track: 11 - FDI in and from Emerging Markets

Emerging Markets - An Institutional Perspective

Presented On: July 3, 2008 - 09:00-10:15

Chair: Gary A. Knight, Florida State University

Doing Business in India: A Literature Review After Economic Liberalisation

Laura Rienda, University of Alicante

Enrique Claver, University of Alicante

Diego Quer, University of Alicante

India has emerged as one of the major players on the new international business scene. Its unstoppable economic growth since reforms in 1991 has become the focus of attention of researchers in the area of international business and management. In this paper, we review the 65 papers focusing on India that were published in nine top international journals between 1991 and 2006. The review describes the methodologies used and lists the authors and institutions that have contributed the most, together with the most influential papers and the main results. *(For more information, please contact: Laura Rienda, University of Alicante, Spain: laura.rienda@ua.es)*

Customizing Clusters - How Multinational Corporations Shape Service Clusters in Emerging Economies

Stephan D. Manning, Duke University

Multinational corporations (MNCs) increasingly offshore advanced business processes, such as design and engineering, to so-called "service clusters" in emerging economies. A main feature of service clusters is their orientation towards global MNC sourcing demands and practices. MNCs promote the development of service clusters by customizing local institutions, including universities, local administrations and business associations. Over time, service clusters may develop more or less specialized service capabilities that attract new MNCs and that make them less dependent from particular investors. Using the example of a German automotive supplier in Romania, this paper illustrates what role MNCs play in the formation of service clusters. Findings of this study may inform both cluster research and policy-making, in particular in the context of emerging economies. *(For more information, please contact: Stephan D. Manning, Duke University, Fuqua School of Business, United States: sdm24@duke.edu)*

Institutional Changes and the International Entry Mode: A Theoretical Model

Sokol Celo, Florida International University

Armando Juan Borda, Florida International University

Changes of the institutions in host countries raise the question of the effects of such changes on international entry mode decision. Looking at the changes in property rights and contract law, as well as of direct and indirect political hazards, we build a theoretical model and suggest that the same magnitude of changes will have different effects on the entry mode decision, if applied to different industries and/or countries. The difference in opportunistic behavior between the government and the partner in the host country moderates all effects of institutional changes. *(For more information, please contact: Sokol Celo, Florida International University, United States: sokol.celo@fiu.edu)*

Emerging Market Consumers: An Empirical Investigation

Richard Fletcher, University of Western Sydney

Gary A. Knight, Florida State University

We investigate the role of 'marketing communications' in emerging markets, former developing economies that have achieved substantial industrialization, modernization, and rapid economic growth since the 1980s. Using case studies, we highlight differences between consumers in emerging markets and developed economies, and evaluate the applicability of traditional marketing approaches in emerging markets. Using empirical data from exporting firms, we then compare the role of marketing communications in emerging markets and developed economies. Results confirm the importance of marketing communications in emerging markets. We offer discussion and implications for managers.

(For more information, please contact: Gary A. Knight, Florida State University, United States: gknight@fsu.edu)

Examining the Client- Following Process of Service Industries Entering Emerging Markets: The Case of Architectural Design Firms

Janine King, Florida International University

Galen Kroeck, Florida International University

This interactive session examines the internationalization patterns of successful international architectural design firms and explores the process they use to expand international development in emerging markets. Using a mixed method of qualitative interviews and survey data analysis, researchers sought to understand how the globalization processes of architectural design firms fall within proposed frameworks for the globalization processes of service industries in general. Researchers examined the processes of 'client following' and 'market seeking' strategies employed by these companies, how they adjusted these processes to meet their needs, and determined if the strategies employed by these firms lead to foreign direct investment. (For more information, please contact: Janine King, Florida International University, United States: jking@fiu.edu)

Institutional Changes and Organizational Transformation: The Case of Indian Pharmaceutical Industry

Bindu J. Vyas, King's College

Increasingly developing countries are participating in the global economy as markets, production base and center of R&D. Internal evolutionary forces and external pressures have forced countries to liberalize and integrate into the global economy, changing the competitive environment for firms from developing countries and also benefiting the multinationals operating in these countries.

Change in the organizations is thus imperative to deal with new competitive forces. The paper aims to examine the internal evolutionary forces and external pressures that play a role on the pharmaceutical firms in India and thus evaluate how the firms have transformed in the process.

Evaluation of the Indian pharmaceutical sector demonstrates that modernized and improved local institutions, location characteristics, and government policies have structurally transformed the pharmaceutical firms and influenced competitive strategies adopted by them. (For more information, please contact: Bindu J. Vyas, King's College, United States: binduvyas@kings.edu)

Diaspora Homeland Investment Motivation in Post-Conflict Economies: Evidence from the US Liberian Community

Tjai M. Nielsen, George Washington University
Liesl Riddle, George Washington University

Post-conflict economies, such as Liberia, have often daunted traditional foreign investors. These countries often seek much-needed foreign investment capital from their diasporas, overseas nationals and their descendants. Little is known about why diaspora members invest in their homelands. Employing an interdisciplinary approach, we develop a conceptual model of diaspora homeland investment. Our model provides a multi-faceted conceptualization of investment interest by decomposing investment motivation into three categories of expected investment returns: financial, social, and emotional. We develop survey measures for these motivation categories and test our model through a pilot study of Liberians living in the United States. Research and policy implications of our findings are discussed. *(For more information, please contact: Liesl Riddle, The George Washington University, United States: lriddle@gwu.edu)*

Diaspora Investors as Institutional Change Agents: The Case of Thamel.com

Jennifer Brinkerhoff, George Washington University
Liesl Riddle, George Washington University

Most of the world's migrants move from developing to developed nations (United Nations, 2005). When diaspora members migrate from their home countries to their country of settlement, they often confront new "rules of the game," or institutional environments, that are quite different than those in their home countries. We refer to the exposure to and adoption of institutional roles and relationships associated with a new cultural setting as "institutional acculturation." We ground this concept in Greif's (2006) framework for understanding institutions as rules, beliefs, norms, and organizations.

Most extant work focuses on how a migrant's acculturation affects his/her behavior in the new country of residence. In this paper, we examine the impact of migrant acculturation through a different lens, exploring how acculturation to the institutional arrangements in the country of residence can affect the migrant's behavior in the country of origin and thereby lead to institutional change in the country of origin. Utilizing a case study of diaspora investment in the fragile state of Nepal, we demonstrate how institutional acculturation can inspire a diaspora investor to transform institutional arrangements in his/her country by generating dramatic changes in society's role expectations of the government, suppliers, and buyers. *(For more information, please contact: Liesl Riddle, The George Washington University, United States: lriddle@gwu.edu)*

Session: 3.1.15 - Interactive

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

Values and Ethics

Presented On: July 3, 2008 - 09:00-10:15

Chair: Lena Zander, Stockholm School of Economics

Culture and Unethical Conduct: Understanding the Impact of Individualism and Collectivism on Plagiarism

Daniel E. Martin, California State University, East Bay
Asha Rao, California State University, East Bay

This study examined the impact of the cultural dimensions of individualism and collectivism on student plagiarism. Given today's global business arena and the recent business scandals, we need to further our understanding of international ethics. Business students are the potential managers and leaders of industry in

the future. In this study we focus on one form of unethical conduct by business students, i.e. plagiarism, and seek to determine the link between this behavior and cultural values of individualism and collectivism. Our findings suggest that individualists plagiarize more than collectivists, contrary to popular beliefs. The implications of these findings for scholars and managers are discussed. *(For more information, please contact: Daniel E. Martin, California State University, East Bay, United States: dmartin@alineagroup.com)*

Social Networks and Success in Organizations: A Cross-cultural Perspective

Mourad Dakhli, American University of Kuwait
Kendall Roth, University of South Carolina
Tatiana Kostova, University of South Carolina

In this study we investigate how individual cultural orientations and societal culture interact to affect success in organizations. We leverage existing research on social networks and advance relationship structure and embeddedness as underlying processes of success across cultures. More specifically, we argue that individual cultural orientations influence how people build ties in organizations. The societal cultural values of individualism-collectivism provide the general context that moderates the relationships between individual orientations and social networks on the one hand, and social networks and success on the other. We find mixed support for the role of individual cultural orientations in shaping social networks, and stronger support for the role of strong ties as generator of value across cultures. We discuss our findings and suggest directions for future research. *(For more information, please contact: Mourad Dakhli, American University of Kuwait, Kuwait: mdakhli@auk.edu.kw)*

The Influence of Collectivism/Individualism on Employees' Expectations of Privacy Rights in the Wake of Trigger Events: The Example of 9/11 in the US, France, Japan and Cameroon

Michael J. Stevens, University of Texas - Pan American
Yvette N. Essounga, University of Texas - Pan American

The culture dimensions of collectivism/individualism and power distance have been used to assess the influence of culture on employees' acceptance of encroachments of their privacy rights at work, in the wake of a trigger event such as 9/11. This study proposes to collect and analyze data from three countries besides the United States: Japan, France, and Cameroon. The likelihood of the US, more than other countries, to accept to trade privacy for security is being proposed. Implications and suggestions for future research are offered as well. *(For more information, please contact: Michael J. Stevens, Univ. of Texas - Pan American, United States: mstevens@utpa.edu)*

Follower Self-construal and Reaction to Leader's Unethical Behavior: A Cross-cultural Perspective

Sophia Soyoung Jeong, University of South Carolina

I build on the distinction between interdependent and independent self-construals to argue the culturally grounded differences in self-construal and attribution process (analytic vs. holistic cognitions) will affect followers' reaction to unethical leader behavior.

The first hypothesis predicts that Eastern followers will rely on situational explanations for unethical leader behavior, while Western followers will depend more on dispositional explanation about the leader. The second hypothesis predicts that the Eastern followers will be less critical than Western followers in leader evaluation, when faced with an unethical leader behavior. Further, the author argues that the Eastern followers will exhibit a dissonance effect when the leader's unethical behavior is known to the social others. The Eastern followers will attribute the leader's unethical behavior more to the situation, and evaluate leader more positively when the presence of social others is salient.

The result supports the hypotheses for the main effect of nationality and the interaction effect between nationality and presence of social others on follower attribution of leader behavior. *(For more information, please contact: So Young Jeong, University of South Carolina, United States: sophia.jeong@moore.sc.edu)*

The Forgotten Variable in Models of Individual Decision Making Process Related to Ethical Issues in an MNC
Virginija Kliukinskaite, University of Agder

The paper reviews the most often quoted descriptive models of individual decision making process related to ethical issues in business, marketing, and international business, as well as the related empirical studies, having the main goal to propose an extension of the most parsimonious model if it is to be applied to a multinational corporation (an MNC) setting with an inclusion of an influential variable specific to an MNC. The paper also suggest an empirical research design that would help to test not only whether the variable has an effect on individual decision making process related to ethical issues in an MNC, but also how it influences the process. *(For more information, please contact: Virginija Kliukinskaite, University of Agder, Norway: virginija.kliukinskaite@uia.no)*

Neutralization Techniques and CEO's Misbehavior: The Case of a Non-Profit Organization (National Kidney Foundation)

Vivien K.G. Lim, National University of Singapore
Hwee Sing Khoo, National University of Singapore

We examined the corruption perpetrated by a high level executive, Mr. T.T. Durai, the chief executive officer (CEO) of the National Kidney Foundation, a large charity organization in Singapore. This case received public attention when the questionable behaviors engaged by Durai and his team of executives were exposed in the legal suit involving Durai and the Singapore Press Holdings. The legal proceedings reported in the local media played a crucial role in unraveling the alleged wrongdoings of Durai when he helmed the NKF. We use the theoretical framework provided by research on neutralization techniques to analyze and explain Durai's behaviors and his effort to defend his actions during the legal proceedings. Implications of our findings are discussed. *(For more information, please contact: Vivien K.G. Lim, National University of Singapore, Singapore: bizlimv@nus.edu.sg)*

Victimization and Risk Perceptions Among Mexican Border Police Officers

Lorena Perez-Floriano, University of California, Irvine
Jorge Antonio Gonzalez, University of San Francisco

Injuries and disabilities are a cause of concern for victims, families, organizations and societies. In developing countries, police work is plagued with increasing violence related to organized crime and resilient poverty. We present preliminary data of a broad range of psychological and attitudinal consequences for police officers that experienced injury and disability at their jobs. Officers (N= 354) from a border town in Mexico responded to a questionnaire. 19% had suffered injuries serious enough at their jobs that kept them from working. Victimized participants exhibited more stress, lower job satisfaction, and lower productivity than their counterparts. The results offer important implications for the role of violence and safety in police work in Mexico, and perhaps other developing economies. *(For more information, please contact: Jorge Antonio Gonzalez, University of San Francisco, United States: jorge@usfca.edu)*

Session: 3.1.16 - Interactive

Track: Track: 9 - Internationalization and Intl. Marketing

Global Brands and Consumer Behavior

Presented On: July 3, 2008 - 09:00-10:15

Chair: Johny K. Johansson, Georgetown University

Price Leadership Strategy or Branding Strategy? — An Empirical test of Indigenous Chinese Exporters

Xi Chen, Tsinghua University

Ping Zhao, Tsinghua University

Zuohao Hu, Tsinghua University

Hua Song, Renmin University

This paper examines the effect of price leadership and branding strategy on export performance of indigenous Chinese exporters with developing country markets and developed country markets focus based on strategy fitness and marketing segmentation theory. Findings suggest that with developing country markets focus, the use of branding strategy is more likely to enhance export performance; With developed country markets focus, neither use of price leadership strategy nor use of branding strategy enhance export performance. In the end the author discussed theoretical and managerial implications of the findings. *(For more information, please contact: Xi Chen, Tsinghua University, China: x-c04@mails.tsinghua.edu.cn)*

The Celebrity Effect of Global Brands

Claudiu V. Dimofte, Georgetown University

Johny K. Johansson, Georgetown University

Ilkka A. Ronkainen, Georgetown University

This research finds that U.S. consumers hold contradictory notions of what characterizes a global brand beyond its wide recognition, availability, and standardization across markets. In particular, we find that the association of brand globality with higher quality is not as strong as the literature has proposed and that affect directly influences how people perceive global brands. Results suggest that previous research on globality effects may have confounded brand globality and brand strength, with the latter responsible in fact for the quality effect. Data from multiple samples show that for most consumers brand globality is associated with positive affect, and that even self-declared anti-global brands consumers are generally unable to suppress their favorable implicit attitudes towards global brands in automatic response tests. Overall, consumer response to global brands appears largely similar to individual response to celebrities. *(For more information, please contact: Johny K. Johansson, Georgetown University, United States: johanssj@georgetown.edu)*

Customer Satisfaction as a Link Between Stakeholder Orientation and Firm Performance in the Global Marketplace

Tracy Gonzalez-Padron, University of Colorado, Colorado Springs

Jeannette Mena, Michigan State University

G. Tomas M. Hult, Michigan State University

In today's global marketplace, it is increasingly important for firms to be socially responsible. While a call for more attention to social issues is prevalent, companies continue to struggle with tactics for effectively addressing the numerous, and often conflicting demands of the different stakeholders. Conducting business across national boundaries compounds this challenge. Drawing on the stakeholder theory of the firm, we examine the influence of a stakeholder orientation on customer satisfaction and performance and explore how

the degree of globalness moderates these relationships. The results show that customer, employee, and supplier orientations are positively related to customer satisfaction, which in turn, is positively related to firm performance. These findings are consistent with the tenets of the stakeholder theory – firm's attention to multiple stakeholder groups enhances performance. In addition, the degree of globalness is found to moderate the effect of stakeholder orientations on firm financial performance, except for employee orientation. *(For more information, please contact: Tracy Gonzalez-Padron, University of Colorado, Colorado Springs, United States: gonzalez@bus.msu.edu)*

A Broadening of the Consumer Animosity Construct

Joseph P. Little, Saint Louis University

Nitish Singh, Saint Louis University

Previous consumer animosity research has focused on how animosity towards a product's country-of-origin affects purchasing behavior. The purpose of the current paper is to broaden the consumer animosity construct to include animosity directed not only at a certain country, but also at a firm or brand. In broadening the animosity construct we are better able to model the full array of antecedents to, and the consequences of, consumer animosity. We employ the theory of reasoned action (Fishbein and Ajzen 1975) to model the construct of animosity. Therefore, we model animosity as an attitude that, along with subjective norms, affects the intention to purchase a product or service.

We find that personal beliefs, beliefs about country-of-origin indiscretions, and beliefs about firm/brand indiscretions influence the consumer's level of animosity. Also, we find that cultural beliefs such as patriotism, nationalism, and collectivism influence how consumers evaluate subjective norms. Level of animosity and subjective norms determine whether or not a consumer will purchase, boycott, or protest a certain product or service. *(For more information, please contact: Joseph P. Little, Saint Louis University, United States: jlittle4@slu.edu)*

A Study of Culture Dimensions on Product Evaluation in Prestige Brand Extensions

Yong June Kim, Sungkyunkwan University

Choo-Hui Julia Park, Sungkyunkwan University

This study discusses the culture dimension on brand extension and their impact on Korean prestige-seeking consumers on product evaluation in specifically on prestige brand extensions. We investigate how the impact of prestige brand's credibility on consumer evaluation on extension products is moderated by cultural dimensions. The empirical studies on Korean prestige-seeking consumers show that the positive effect of brand's credibility on evaluation on extension brand is greater for prestige brand than non-prestige brand, which it means that the kind of symbolic meaning of prestige may offers consumers to evaluate on prestige brand extended product more favorably comparing to non-prestige brand extended product. In view of the results seeing whether Hofstede's cultural dimensions may place more or less on factors for the evaluation of brand extension at an individual characteristics level was not significant in this research. In other words, culture is an important factor in understanding how consumers evaluate brand extensions but when serious work at the individual level of analysis was undertaken, it may not show great influence within in one culture than cross-cultural studies. *(For more information, please contact: Choo-Hui Julia Park, Sungkyunkwan University, Korea, South: juliapark@skku.edu)*

Failures and Controls of Hypersexual Internet Advertisements in the United States and France

Jean J. Boddewyn, Baruch College, CUNY

Esther Loubradou, IAA NY Young Professionals

Advertising, like other societal institutions, is marked by a number of failures and imperfections and must therefore be controlled. There are several basic and complementary forms of societal control besides

governmental regulation. The advent of a new medium, the Internet, and of new messages in the form of hypersexual advertisements has generated new failures and prompted new controls, compared here to those of traditional types of medium and message in the United States and France. This paper identifies these new failures, the demand and supply of new control mixtures and the latter's own mismatches. Research propositions are presented in advance of an empirical study of these novel issues and control problems in the United States and France. *(For more information, please contact: Jean J. Boddewyn, Baruch College, United States: jean_boddewyn@baruch.cuny.edu)*

Foreign Product Purchase Behavior in Transition Economies: An Empirical Analysis of Product Information Sources among Georgian Consumers

Ali Riza Apil, International Black Sea University
Erdener Kaynak, Pennsylvania State University at Harrisburg
Serkan Yalcin, Saint Louis University

This study aims to shed light on product information sources consumers in transition economies, specifically in Georgia, utilize when they consider purchasing foreign products. The study tries to answer the research question of what kind of information sources are used by Georgian consumers in evaluating and purchasing foreign products and how this differs according to consumer demographics. In the survey we conducted in four cities of Georgia, 313 consumers rated nine sources of product information (experiential knowledge, word of mouth, shop displays, television, packaging info, radio, newspapers and magazines, salespeople, and billboards). Findings showed that while personal experience and word of mouth are the two most frequently used and highly valued sources of information, salespeople and radio are the two least frequently used and least influential sources of information. Education, age, and ethnocentrism exhibited significant impact on the experience source. Marketing implications of the results are also discussed. *(For more information, please contact: Serkan Yalcin, Saint Louis University, United States: syalcin@slu.edu)*

A Qualitative Study into the Associations between Customer Relationships and Brand Equity in China's Banking Services Sector

Michael R. Czinkota, Georgetown University
Svetla Trifonova Marinova, University of Birmingham
Jinghuan Cui, University of Birmingham
Marin A Marinov, University of Gloucestershire

Despite the tremendous interest in brand equity and relationship marketing, little conceptual development has addressed whether relationships exist between these important marketing issues. Based on existing frameworks (customer-based brand equity and relationship marketing), this paper forwards customer relationships as a branding-related initiative critical to creation of brand equity. This paper presents exploratory research to develop an initial understanding of the constructs of customer relationships, the dimensions of brand equity and the associations between them. The data illustrate that both consumers and providers in Chinese banking services sector perceive that brand equity can be influenced by customer relationships. A conceptual framework and a number of hypotheses for further study are proposed. *(For more information, please contact: Svetla Trifonova Marinova, University of Birmingham, United Kingdom: s.t.marinova@bham.ac.uk)*

Session: 3.2.1 - Special Session

Meet the JIBS Editors

Presented On: July 3, 2008 - 10:40-11:55

Chair: Lorraine Eden, Texas A&M University

Session: 3.2.2 - Competitive**Track: Track: 11 - FDI in and from Emerging Markets*****Performance Issues - Evidence from Emerging Markets*****Presented On:** July 3, 2008 - 10:40-11:55**Chair:** William Newbury, Florida International University***Performance Drivers of Foreign Firms in China: An Integrative Review and Research Propositions***Diego Quer, University of Alicante
Enrique Claver, University of Alicante
Laura Rienda, University of Alicante

The number of papers focusing on foreign companies doing business in China has increased significantly since the open-door policy came into effect in the late 1970s. One of the most frequent research questions concerns performance drivers. This study reviews 62 empirical papers dealing with the performance of foreign firms in mainland China, published in 10 leading international academic journals between 1978 and 2006. A summary of the main findings is offered, along with various rankings of journals, authors, institutions, and papers. *(For more information, please contact: Diego Quer, University of Alicante, Spain: diego.quer@ua.es)*

Sources of Knowledge-Intensive Service Industry Performance: Country vs. Industry Effects in Asia

Yi-Min Chen, National University of Kaohsiung

Understanding the sources of performance differences is a key theoretical and empirical issue in the fields of industrial organization economics and the strategic management perspective of the resource-based view of the firm. It has long been conventional to treat the industry as a basic unit of analysis when considering the performance of firms and markets. This study explores the sources of the variation in Asia's knowledge-intensive service industry performance, an industry that has been driving service growth since the 1990s, with a particular interest in comparing the relative importance of the effects of country and those of industry. Using a variance components model fitted to a new data set, the results show that while country dominates knowledge-intensive service industry performance in Japan and Asian newly industrialized economies, though industry, too, plays a role in the development of knowledge-intensive service industries around Asia. We also find that the effects of industry contribute substantially to the performance of knowledge-intensive service industry, especially in the case of Association of Southeast Asian Nations-3 (Malaysia, Thailand and Indonesia) and Chindia (China and India). *(For more information, please contact: Yi-Min Chen, National University of Kaohsiung, Taiwan, R.O.C.: ymchen@nuk.edu.tw)*

Financial Performance and Customer Satisfaction of Private Health Insurers in BrazilRafael Felipe Schiozer, Fundação Getulio Vargas
Cristiana Checchia Saito, Universidade Presbiteriana Mackenzie
Richard Saito, Getúlio Vargas Foundation (EAESP/FGV)

This paper analyzes the financial performance of private health insurers in Brazil according to their organizational form. As foreign insurers enter into this emerging market preferably by means of joint venturing or buying into local health insurance companies, this organizational form may present specificities. In addition, this study examines the major determinants for customer satisfaction, also according to the insurer's organizational form. As an indicator of financial performance, we use the adjusted Altman's z-score. Proxy for customer satisfaction is the customers' complaints filed at the Brazilian Agency for the Private Health Care

System. The study uses a sample of 270 private health insurers for the period of 2003-2005. Panel data analysis includes control variables related to market, operations, and management. Major results indicate that (1) private health insurers benefit from economies of scale; (2) self-funded health plans have better financial performance; (3) marketing expenses do not significantly impact customer satisfaction in Brazil; (4) finally, there is weak empirical evidence that good financial performance enhances customer's satisfaction. *(For more information, please contact: Rafael Felipe Schiozer, Fundação Getulio Vargas, Brazil: rafael.schiozer@fgv.br)*

Corporate Social Performance in Emerging Markets: Extrinsic versus Intrinsic Drivers

Alan Muller, University of Amsterdam
Ans Kolk, University of Amsterdam

This paper aims to contribute to the literature on firm motivations underlying corporate social responsibility. Since the evidence so far has mostly been on external drivers and developed countries, we explore both intrinsic drivers (managerial values) and extrinsic factors (trade-related pressures) as determinants of corporate social performance in an emerging-market setting. Using survey data from 121 foreign and local auto parts suppliers in Mexico, the paper shows that intrinsic factors are essential and that extrinsic, trade-related pressures are only relevant in the presence of intrinsic factors. Foreign ownership does not moderate the role of attention for ethics or trade pressures. *(For more information, please contact: Alan Muller, University of Amsterdam Business School, Netherlands: amuller@uva.nl)*

Session: 3.2.3 - Competitive

Track: Track: 1 - The Context of Global Business

Institutional Drivers of Investment in Technology

Presented On: July 3, 2008 - 10:40-11:55

Chair: Jennifer Spencer, George Washington University

Institutional Determinant of the Firm-level R&D Commitment

Cheng-Yu Lee, National Cheng Kung University
Chiung-Yi Hwang, National Taiwan University
Hsueh-Liang Wu, National Taiwan University
Weichieh Su, National Tsing Hua University

Prior literature has provided a rich discussion upon the comparative advantage of two distinct corporate governance systems, namely, bank-based or market-based system which underpins the international competitiveness of Anglo-Saxon countries and Japan, respectively. However, relatively few studies empirically inquire how such an institutional difference influences on the R&D behavior of firms operating within these two systems. Hence, in a sample of 338 firms in Japan and the United States (115 in Japan and 223 in the U.S.) over the period 1999~2003, this study test the effect of corporate governance system on firms' R&D commitment, and further considers environmental dynamism as a contextual condition to confirm such an institutional influence. The results show that bank-based system is better able to induce firms to have higher R&D commitment and soften the negative effect of environmental dynamism on firms' R&D commitment. *(For more information, please contact: Chiung-Yi Hwang, National Taiwan University, Taiwan, R.O.C.: ddcy29@gmail.com)*

De facto Property Rights Protection and MNC Location Choices
 Srividya Jandhyala, University of Pennsylvania

Although largely similar formal regulations to protect property rights have proliferated across many parts of the world, the adherence to these regulations is not consistent across countries. As a result, countries with seemingly similar formal regulations have very different hazards for investors. Departing from traditional studies that have focused on formal regulations to understand the hazards to investors, this paper analyzes the extent of de facto protection on the location choices of Multinational Corporations. Investors' perceptions about the hazards that they face in a host country are modified by de facto protection although large multinational firms can overcome poor de facto protection in a host country. They are able to do so either by transferring learning on managing poor institutions across their international operations or by their ability to arbitrage international location differences. Using a panel of 162 firms from 16 home countries and their foreign investments in 45 host countries in the information services offshoring sector from 2001-2005, the empirical results show that MNC location choices are impacted by de facto protection of a host country. The effects are also moderated by the extent of a firm's multinational operations. *(For more information, please contact: Srividya Jandhyala, University of Pennsylvania, United States: srividya@wharton.upenn.edu)*

How Government Influences Knowledge Transfer in Technology Alliances
 Gurneeta Vasudeva, University of Minnesota

This paper examines how government regulation--characterized by the extent of government ownership and control of resources in a firm's location of innovation--increases the propensity for specific technology policies, which in turn influence the knowledge transfer outcome of technology development alliances. We find that in the early innovatory stage, higher levels of government regulation contribute to greater knowledge transfer in both domestic and cross-border alliances. But in the later innovatory stage, higher government regulation reduces knowledge transfer in domestic alliances, and has a lower marginal benefit in cross-border alliances. These results highlight the significant influence of the external institutional environment on knowledge transfer through the alliance mechanism. On the one hand, the coordinating role performed by a highly regulative government in the early stage can prove beneficial for knowledge transfer through alliances, compared to a diffused approach in less regulated or liberal environments. But on the other hand, a high level of specialization encouraged by higher levels of government regulation can lower knowledge transfer in the later stage, when in contrast a market-based standard-setting approach encourages knowledge transfer. *(For more information, please contact: Gurneeta Vasudeva, Carlson School of Management, U. of Minnesota, United States: gurneeta@umn.edu)*

Competition Policy, Prevention of Monopolistic Abuses and the TRIPS Agreement
 Daya Shanker, Deakin University

The relationship between competition policy and industrial monopolistic rights has always been controversial but this controversy has acquired an additional dimension when the industrial monopoly was expanded universally through the TRIPS Agreement. An important aspect of this relationship has been the abuses inherently present in the industrial property monopoly and the extent to which these abuses can be dealt with either by the industrial property acts itself or by competition provisions. The relationship between intellectual property rights and competition policy in this respect has two basic dimensions: one, where abuses because of industrial property monopoly originate from IPR itself and remedies lie in the IPR act itself and the other, where IPR abuses originate from IPR but remedies lie in competition rules and regulations. However, use of competitive provisions to deal with abuses of IPRs requires a discussion of market definition and dominant position of right holder in that market along with the fact whether just having IP right places the right holder in the dominant position. While, high prices, non-working or insufficient working and restraint on parallel imports have been identified as direct abuses of IPR, the use of IPRs to restrict progress of science and innovation are regarded as indirect abuses. The issue of exhaustion of IP rights has also acquired a significant place in the

analysis of relationship between intellectual property rights and competition policy in recent years as exemplified by attempted introduction of national exhaustion of IP rights along with discriminatory pricing and a ban on parallel imports. This article argues that competition policy provision should be strengthened to deal with expansion in abuses due to IPRs because of the adoption of the TRIPS Agreement and its further amendment through Paragraph 6 solution arrived at on 30th August 2003 and various restrictive interpretations of its provisions. (For more information, please contact: Daya Shanker, Deakin University, Australia: dshanker@deakin.edu.au)

Session: 3.2.4 - Competitive

Track: Track: 6 - Learning, Knowledge and Innovation

Knowledge Transfer and Performance

Presented On: July 3, 2008 - 10:40-11:55

Chair: Marion Frenz, Birkbeck, University of London

Antecedents and Performance Implications of Firm's Choice of Technology Strategy: An Empirical Test of Electronic Companies in Asia
Poh-Lin Yeoh, Bentley College

Given their latecomer disadvantages, firms from late industrializing countries need to pursue distinctive technology capability development strategies to overcome these advantages as well as to exploit latecomer advantages. The technological capabilities of a firm are conceptualized as having two strategic dimensions: product and process technological capabilities. Using the context of electronic companies in Taiwan and Singapore, the results showed that whether firms pursue a product or application pioneering strategy capabilities demand differential emphasis on marketing, technology, and manufacturing capabilities. At the same time, our model provides a new perspective for linking the strategic behavior at the level of the firm to the innovation system characteristics at the national level. In this case, state interventions policies in promoting intra and extra-industry cluster networks also play a role in shaping the technology strategies of electronic companies in these two Asian countries. Finally, given that both types of technology strategies affect firm performance differently, the findings suggest significant implications for firm strategies to achieve competitive advantage. (For more information, please contact: Poh-Lin Yeoh, Bentley College, United States: pyeoh@bentley.edu)

How do Human and Structural Capital affect Knowledge Transfer Performance – The Mediating Role of Relational Capital

Hsi-An Shih, National Cheng Kung University
Su-Yueh Yang, National Cheng Kung University

The purpose of this study is to examine the role of relational capital in the relationships between human capital, structural capital, and knowledge transfer performance. Regression analysis was used to test the hypotheses in a sample of 97 firms. The results indicate that human and structural capitals are positively related to relational capital with partnering firms which, in turn, has a positive effect on knowledge transfer performance. Our results provide evidence that relational capital plays a mediating role between human capital, structural capital, and knowledge transfer performance. Managerial implications and future research directions are discussed. (For more information, please contact: Su-Yueh Yang, Graduate Institute of Business Administration, National Cheng Kung University, Taiwan, R.O.C.: r4895115@mail.ncku.edu.tw)

The Impact on Innovation Performance of Different Sources of Knowledge: Evidence from the UK Community Innovation Survey

Marion Frenz, Birkbeck, University of London
Grazia Ietto-Gillies, London South Bank University

This paper considers two main categories of knowledge sources and their impact on the innovation performance of enterprises: own generation through R&D versus knowledge transfers via bought-in resources for innovation purposes, external collaborations on R&D, and internal sources within the company. The national and international dimensions of the internal networks and of the external collaborative agreements are explored. Data from two UK Community Innovation Surveys are used and econometric methods based on time-lagged data are applied. We find that own generation of R&D has the highest impact on innovative sales compared with the acquisition and transfer of knowledge from sources outside of the enterprise. The second strongest group of predictors relates to the extent and international spread of intra-firm networks and to bought-in R&D. We do not find an association between collaborative agreements, irrespectively of their location, and improved performance. *(For more information, please contact: Marion Frenz, Birkbeck, University of London, United Kingdom: m.frenz@bbk.ac.uk)*

Session: 3.2.5 - Competitive

Track: Track: 9 - Internationalization and Intl. Marketing

Managing the Internationalization Process

Presented On: July 3, 2008 - 10:40-11:55

Chair: Mats Forsgren, Uppsala University

Exploring the Depth and Breadth of Internationalization

Niron Hashai, Hebrew University
Ohad Ref, Hebrew University

According to the literature the firms internationalize by gradually increasing the "Breadth" of foreign markets activity (i.e. the number and spread of targeted foreign markets) and the "Depth" of foreign market activity (i.e. the amount of resources committed to a specific foreign country). Little is said, however, regarding the relationship between the extent and change of these internationalization trajectories. We hypothesize and empirically show substitution between the change in the depth and breadth of internationalization. On the other hand substitution and complementarity effects seem to neutralize each other in the long run, leading to no significant relationship between the extent of depth and breadth. *(For more information, please contact: Niron Hashai, Hebrew University, Israel: nironh@huji.ac.il)*

Firm-and Country-Specific Advantages: A Multi-level Analysis of Internationalization

Dae-il Nam, Washington State University
Len J. Trevino, Washington State University
John B. Cullen, Washington State University

This study develops a comprehensive multi-level analysis, including firm-level and country-level drivers, that attempts to explain firms' propensities to internationalize their operations. Drawing on industrial organization, transaction cost economics, strategic management, and institutional theory literatures, we develop multi-level hypotheses regarding firms' internationalization. We test our hypotheses using data on 26,859 firms from 27 countries using Hierarchical Generalized Linear Modeling (HGLM). Results indicate that the presence of foreign competition, dependence on foreign technology and supply, the use of foreign labor, and education of the top management team are positively associated with a firm's propensity to expand internationally. However,

market power, management ownership, and the top management team's foreign company experience were not supported, as hypothesized. We studied two country-level drivers, cultural and social institutions. For the culture-level indicators, we confirm that uncertainty avoidance and in-group collectivism are negatively associated with internationalization, while power distance and performance orientation are positively associated with this construct. For the social institutions, we found a positive and significant relationship between educational attainment and internationalization but not for political stability. *(For more information, please contact: Daeil Nam, Washington State University, United States: dinam@wsu.edu)*

Managing the Internalisation Process - A Theoretical Perspective

Bent Petersen, Copenhagen Business School
Lawrence S. Welch, Melbourne Business School
Gabriel R.G. Benito, Norwegian School of Management

Internalisation theory informs us about why and when multinational enterprises (MNEs) internalise foreign operations, but has less to say about how the internalisation should be prepared and exercised when foreign market operations initially are carried out by local, outside agents. Drawing on insights from managerially-oriented literature, this paper explores the role of management in situations where the market transaction costs of using outside agents are negligible at market entry, but grow over time. A key question pertaining to this situation is: what management instruments may ensure persistent concurrence between changing pressure for internalisation in a foreign market and the effectuated internalisation of an MNE in that market? Management instruments and strategies that potentially support 'staged internalisation' are outlined, including appropriation of the local outside agent's financial assets (including equity) as well as non-financial assets in relation to user rights, customer relations, and value added activities. *(For more information, please contact: Gabriel R.G. Benito, BI Norwegian School of Management, Norway: gabriel.r.g.benito@bi.no)*

International Expansion Strategy: A Multifoci, Multilevel, Sequentially Interdependent Decision Framework and Propositional Inventory

F. Esra Gencturk, Koc University
H. Emre Yildiz, Stockholm School of Economics

While rich and long research interest on International market expansion strategy has resulted in a remarkable body of knowledge, there remains a frequently voiced need to provide a comprehensive assessment of the context within which international expansion decision is made. It is argued in this paper that the precise understanding of the international expansion decision necessitates a specific and explicit recognition of the complexity of this decision which involves several nested considerations that require a separate decision calculus at different levels of analysis. To this end, we propose a multifoci decision framework involving four distinct sub-decisions capturing the: 1) Why go abroad?; 2) Where to go?; 3) What entry mode to use?; and 4) Which business activities to perform? Questions, answers to which together make up the totality of a firm's international expansion. Each of the four sub-decisions is further distinguished with respect to the distinct levels of analysis it entails, respectively: the firm, the target country, the foreign venture, and the transaction levels of analysis. The proposed framework explicitly acknowledges that none of these four sub-decisions can be viewed in isolation and identifies the theoretical frameworks that are best equipped to explain each of the sub-decisions. *(For more information, please contact: F. Esra Gencturk, Koc University, Turkey: egencurk@ku.edu.tr)*

Session: 3.2.6 - Competitive**Track: Track: 5 - Structure, Capabilities, and Planning*****Trade, Investment, Growth, and Country Influences*****Presented On:** July 3, 2008 - 10:40-11:55**Chair:** Bernard Wolf, York University*The Structure of the Global Trade Network & The Role of the MNC*

John Muir Macpherson, Georgetown University

This paper seeks to apply social network analysis to the international trade network to better understand the role of the MNC in that network. Ghoshal & Bartlett (1990) described both the MNC and its environment in network terms. The MNC's internal network has been researched extensively but the external network in which the MNC is embedded has not. The trade network defines the landscape on which the MNC competes. Positioning the MNC's activities in this network helps us to better understand the role of the MNC in the network and the means by which the MNC captures value from its position in the network. We predict that MNCs forming new ties in cohesive countries, and countries which are not structurally or role equivalent with their home country will increase the value of their firms. We test these hypotheses in the context of a multinational sample of cross-border acquisitions, with 523 acquirers from 22 countries and 1,863 targets from 38 countries. (For more information, please contact: John Muir Macpherson, Georgetown University, United States: jmm272@msb.edu)

Investing in R&D and Competing through R&D: Are There Inter-Country Differences?

Ziqi Liao, Hong Kong Baptist University

Michael Tow Cheung, University of Hong Kong

The two largest market economies in Asia, Japan and Australia, share important macro level characteristics. However, a striking disparity exists between their private sector R&D:GDP ratios. Exploiting survey data from the two locations, we test the empirical significance of country differences when technology-based firms compete through R&D. Data analysis showed that under the fundamental competitive-strategic directions of cost leadership, product differentiation and high added-value, Japanese technology-based firms attach greater importance to product differentiation and higher added-value over a wide range of markets while their Australian counterparts attach greater importance to higher added-value in specific markets or market segments. The implication follows that other things being equal, R&D:GDP ratios differ between Japan and Australia because R&D:GDP ratios differ in a key business sector as a result of different market orientation when competing through R&D. The finding that market ambit widens or narrows under clearly identifiable conditions is offered to empirically support decision-making in marketing management. (For more information, please contact: Ziqi Liao, Hong Kong Baptist University, China: victor@hkbu.edu.hk)

Entrepreneurial Readiness and Growth in the Chinese Context

Victor P. Lau, Chinese University of Hong Kong

Margaret A. Shaffer, University of Wisconsin, Milwaukee

Entrepreneurs are vital because they contribute much to create wealth and job opportunities in both developing and developed economies. In the context of globalization, the entrepreneurial role has been increasingly important in exploring opportunities in international business arenas. China's entry to the WTO indicates that China will be one of the influential business partners in world trade, and evidence shows that there has been an accelerated rate of new business venture formation during the last decade in China. Drawing upon resource-

based theory, social cognitive theory, and mature theory, we theorized that entrepreneurial growth (personal and firm growth) was shaped by entrepreneurial readiness with etic inputs, comprising entrepreneurial capability (social network and competence) and entrepreneurial willingness (intrinsic motivation and career commitment), and emic inputs, comprising indigenous capability (guanxi) and indigenous willingness (fear of losing mianzi) in the Chinese context. In Study 1, we collected self-assessed data from entrepreneurs in Shanghai (N=200). In study 2, we collected multiple-source data from entrepreneurs and employees in Hong Kong (N=158). Hypotheses were generally supported across Studies 1 and 2. Results revealed important insights into entrepreneurial readiness and growth in the Chinese context that might stimulate future international business studies. *(For more information, please contact: Victor P. Lau, Chinese University of Hong Kong, Hong Kong: victorlau@cuhk.edu.hk)*

A Resource-based View of Prosecuting a Trade Remedy Case in the United States of America

Johan Paul Lindeque, Queen's University Belfast
Steve McGuire, University of Bath

This study adopts a business strategy perspective of firms' prosecution of trade remedy cases in the United States of America, specifically antidumping and countervailing duty cases. These cases can significantly alter the competitive positions of domestic and foreign firms in an US market for a specific product by placing a duty on the imports being investigated. The prosecution of these cases is studied from a corporate political activity perspective, taking a resource-based view of the firm. Three key capabilities emerge as important for prosecuting a case, the capability to collect market / nonmarket intelligence, the capability to build and shape the administrative record and the capability to align business practice with the US trade remedy institutions. Prosecution of a trade remedy case is argued to be a dynamic capability, integrating internal and external resources, reconfiguring internal firm resources and gaining external resources. The study aims to enable firms to maximise their effectiveness when prosecuting in US trade cases. *(For more information, please contact: Johan Paul Lindeque, Queen's University - Belfast, United Kingdom: j.lindeque@qub.ac.uk)*

Session: 3.2.7 - Competitive

Track: Track: 6 - Learning, Knowledge and Innovation

Knowledge Creation and Networks

Presented On: July 3, 2008 - 10:40-11:55

Chair: Yanli Zhang, Montclair State University

Contextual Influences on the Formation of Value-creating International Business Network

Susan So Shan Wong, University of Sydney

This theory-building, cross-national, multiple-case study explores the impact of the interaction between the environment and the firm on its development of international business network ties for value creation. By analyzing the data collected from eight entrepreneurial designer fashion firms from two nations, this paper postulates that i) in responding to the perceived increase of environmental turbulence, a firm's proactiveness in developing international business networks ties increases and consequentially, the breadth and depth of acquired value also increase; ii) a network structure that comprises of relatively more non-redundant ties than redundant ties allows a firm to gain the most benefits from its relational investment. *(For more information, please contact: Susan So Shan Wong, University of Sydney, Australia: s.wong@econ.usyd.edu.au)*

Managing Knowledge Sharing in Different Social Network Relations and Centrality Measurements in IJVs

Yvonne Ho, National Taiwan University
 Hong-Jen Charles Chiu, National Taiwan University
 Kuen Shiou Yang, National Taiwan University

Applying the concepts and methods from social network theory, this empirical study focuses on exploring how knowledge sharing (including explicit and tacit) differs in social network relations (including advice and friendship network) in IJV. We also use centrality measurements to examine which centrality has a greater influence on knowledge sharing. The results show that explicit knowledge may be shared in advice network relationships, and that tacit knowledge may be shared in friendship network relationships. In addition, explicit knowledge is shared better with degree, closeness and betweenness centrality. Tacit knowledge is best shared only with degree centrality. Our findings may help IJV managers learn which type of knowledge sharing would be most effective in different network relationships, and understand that centrality might play a key role in different types of sharing and network relationships. *(For more information, please contact: Yvonne Ho, National Taiwan University, Taiwan, R.O.C.: ifyvo@msn.com)*

Brokerage-based Strategy for Enhancing Value from the MNE's Knowledge Exchange Network: A Social Network Analysis

Yvonne Ho, National Taiwan University
 Carlos H. Chiu, Carlos-Marc Empire Capital Group

Social network theory has revealed brokerage's unique position in knowledge-based networks. Following previous studies, this paper will attempt to validate, through empirical research, the current literature on this topic. This paper will demonstrate that brokerage has a positive influence on the performance of MNEs, especially in knowledge-intensive industries such as the semiconductor industry. This paper's findings show that both Burt's structural hole and brokerage occupy advantageous positions in knowledge-based networks. Additionally, this study will test five different roles of brokerage, finding that the brokerage roles of gatekeeper and representative both have a positive influence on the performance of MNEs. The results indicate that, if a knowledge-based MNE tries to play a key role in knowledge distribution, it may be in the MNE's best interest to connect with other MNEs with non-redundant relations. *(For more information, please contact: Yvonne Ho, National Taiwan University, Taiwan, R.O.C.: ifyvo@msn.com)*

International Business Connections and Domestic Institutions: Lessons from the Japanese Catch-up Experience for China

Yanli Zhang, Montclair State University
 John Cantwell, Rutgers University

In this paper, we examine Japanese firms' technological catch-up and post catch-up experiences based on both historical evidence and data on technology licensing and corporate patenting, and consider some possible implications for Chinese companies today. First, both Japanese firms and Chinese firms have benefited a great deal from relationships with foreign multinationals in achieving knowledge spillovers and technology transfer. Second, during the catch up stage in both countries firms have been through a similar process of technology transfer and in-house learning efforts. Initially imitating technology and mastering basic capabilities, then modifying and recombining technologies they have learned, they have gradually moved on to more advanced capabilities and independently generated innovation. Yet the deeper current nature of the international integration of production systems has been different in the more recent catch up of Chinese firms. Third, a further critical difference is that Japanese firms were far more closed in their business networks and government policies, which in recent years have increasingly become a constraint on their global knowledge creation; while Chinese firms have tended to be more open in embracing global relationships and show no intention of going back. *(For more information, please contact: Yanli Zhang, Montclair State University, United States: zhangy@mail.montclair.edu)*

Session: 3.2.8 - Competitive

Track: Track: 9 - Internationalization and Intl. Marketing

Internationalization Strategies

Presented On: July 3, 2008 - 10:40-11:55

Chair: Mo Yamin, Manchester Business School

Global Mindedness and Strategic Orientation of Chinese Firms in their Internationalization Process

Eden Yin Yin, University of Cambridge

Yongjian Bao, University of Lethbridge

Kevin Bao, California State University, Fullerton

As China is becoming one of the leading economies in the world, more and more Chinese firms are pursuing internationalization strategies. However, most of them have not managed to succeed in the global markets. One possible reason for such unsatisfactory performance of Chinese firms is their lack of a proper global mindset. This study investigates the following three issues: first, how global minded Chinese firms are; second, what the critical drivers for their global mindedness are; third, what strategic orientation these Chinese firms adopt when they pursue internationalization strategies and how their global mindedness is related to their strategic choices. Results indicate that, first, as expected, the current level of global mindedness of most Chinese firms are fairly low. Second, experience with foreign culture, leadership vision and firm capacity are important determinants of a firm's global mindedness. Third, global minded Chinese firms tend to pursue aggressive and risky internationalization strategies and this may be the key reason why they have not been able to achieved success in the global markets. *(For more information, please contact: Eden Yin, Judge Business School, University of Cambridge, United Kingdom: e.yin@jbs.cam.ac.uk)*

Multinational Market Expansion Strategies Characterized by Speed, Scope and Rhythm: The Study of U.S. Motion Pictures

Shih-Ju Wang, National Taiwan Normal University

Despite the economic relevance of US-made movies in the global marketplace, the literature regarding how filmmakers develop their overseas film-launching strategies and make subsequent multi-market expansion decisions is extremely limited. In this study, we treat movie-production as a service innovation, and a movie's theatrical release in foreign markets as an overseas entry. Using a comprehensive and longitudinal U.S. box-office dataset as an example, we identify some key factors behind the global rollout decisions for US-made movies, and examine how these factors affect overseas box office. We argue that due to the heterogeneity of movie-goers' preference in global markets and the limitation of a filmmaker's ability to understand market idiosyncrasy, some overseas rollout patterns are more lucrative than others. Specifically, we find that the pace, scope and rhythm of a movie's global expansion significantly affect its overseas ticket sales. The major findings of this paper have important marketing and strategic implications. *(For more information, please contact: Shih-Ju Wang, National Taiwan Normal University, Taiwan, R.O.C.: sjwang@ntnu.edu.tw)*

Product and International Diversification: Complements or Substitutes?

Harry Bowen, Queens University of Charlotte

Margarethe Wiersema, University of California, Irvine

Manager's decisions regarding the product and geographic market scope of a firm's activities are the essence of corporate strategy. When making these decisions, managers are likely to take into account that these decisions are interrelated since both will require allocating a firm's fixed bundle of resources. Yet, little empirical research

has directly addressed the nature of the relationship between these strategic choices - whether they are complementary or substitute strategies. To address this important gap in our understanding of corporate strategy, this paper provides a much needed assessment of the relationship between these two dimensions of the firm's strategic scope. In particular, we provide a theoretical and methodological review of our understanding on this issue. In addition, using a panel set of firm data we explore and analyze the joint and simultaneous nature of the relationship between these dimensions of the firm's strategic scope. *(For more information, please contact: Harry Bowen, Queens University of Charlotte/McColl School of Business, United States: bowenh@queens.edu)*

Home-country Environmental Conditions, International Expansions, and Firm Value: The Case of E-commerce Firms in the United States

John Mezas, University of Miami
 Namgyoo Park, Seoul National University
 Jinah Choi, Duksung Women's University

Unlike most previous studies investigating entry mode and location choices of international expansion strategies, we also examine how environmental munificence of the home country affects international expansions of e-commerce firms and how environmental munificence and cultural distance interact with entry modes of international expansions. Utilizing the sudden technology sector crash in the United States, we conduct a natural experiment investigating how dramatic changes in home-country environmental munificence in the e-commerce sector affect stock market response to international expansions. Based on 214 international expansions by 42 e-commerce firms from 1995 to 2001, we find that international expansions of e-commerce firms during the less munificent period create more favorable outcomes, and that environmental munificence interacts significantly with entry modes of international expansions. Although cultural distance does not directly affect outcomes of international expansions, its interaction with home-country conditions and entry modes of international expansions significantly affects outcomes of international expansions. These findings demonstrate the importance of studying effects of home-country conditions on international expansion strategies of multinational firms. *(For more information, please contact: Jinah Choi, Duksung Women's University, Korea, South: jchoi@duksung.ac.kr)*

Session: 3.2.9 - Competitive

Track: Track: 6 - Learning, Knowledge and Innovation

Knowledge and Value Creation in MNEs

Presented On: July 3, 2008 - 10:40-11:55

Chair: Christos Pitelis, University of Cambridge

Toward a Learning Trajectory Theory of MNE Evolution: The Exploration-Exploitation Duality for Leapfrogging MNE Latecomers

Peter Ping Li, California State University, Stanislaus

From the perspective of latecomers in contrast to early-movers, I propose a new theory to integrate the extant theories of multinational enterprises (MNE) by conceptualizing the learning trajectories of exploration and exploitation as a duality. In particular, I submit a duality typology of four learning trajectories to associate learning path with entry mode: (1) bilateral exploitation primarily via original equipment manufacturing (secondarily via original design manufacturing); (2) unilateral exploitation primarily via greenfield foreign direct investment (secondarily via original brand manufacturing); (3) unilateral exploration primarily via merger and acquisition (secondarily via majority equity joint venture), and (4) bilateral exploration primarily via non-equity R&D alliance (secondarily via non-equity marketing alliance). Underlying an integrated content-process

framework, the typology of learning trajectories constitutes a learning trajectory theory of MNE in general and MNE latecomers/newcomers in particular. This theory does not only revise and integrate the extant MNE models, but also necessitates and incorporates the neglected transaction value lens in contrast to transaction cost economics and resource-based view concerning strategic alliance. *(For more information, please contact: Peter Ping Li, California State University, Stanislaus, United States: pli@csustan.edu)*

Knowledge Flows and Internationalization of Brazilian MNCs in Cement Industry

Belmiro N. Joao, Pontifical Catholic University of Sao Paulo (PUC/SP)

Matheus I. Oshikiri, Pontifical Catholic University of Sao Paulo (PUC/SP)

Aldo Brunhara, Pontifical Catholic University of Sao Paulo (PUC/SP)

This paper presents an empirical study of the international operations of Brazilian MNCs in Cement Industry (Votorantim Cimentos and Camargo Corrêa Cimentos) with a dynamic approach using knowledge-based strategies (KBV- knowledge-based view), as in Sveiby, Linard & Dvorsky (2002) and Sveiby (2001), through the analysis of the development of three families of intangible assets (individual competence, internal structure, and external structure). This approach represents a contribution of the managing of intellectual capital and industrial knowledge towards a non-mainstream theory regarding knowledge flows within the MNC and its owned subsidiaries and between internal structure and other companies. The work also analyses the processes of transfer and conversion of knowledge from these three asset structures, with the interaction among these nine strategies resulting in a strategy of maximisation of value creation. The study shows that it is indeed possible to apply this KBV model to a company centred on resources and competences (RBV). *(For more information, please contact: Belmiro N. Joao, Pontifical Catholic University of Sao Paulo (PUC/SP), Brazil: bjoao@pucsp.br)*

Does Technological Innovation Matter in Efforts to Build a Top Brand?

H.Jim Lo, National Taiwan University

Celine Cho, Tamkang University

This paper extends research relating to innovation and branding to answer the question of how technological innovation by a firm impacts the value of its top brand. This study examined dynamic models of innovation and branding derived primarily from resource-based theory and dynamic capability theory to test the hypotheses using longitudinal data on Business Week's top 100 global brands. The results indicate that technological innovation has some lagged effect on brand value and that whether the brands belong to Western firms or to Asian firms can change the degree of the impact of the main effect in our study. *(For more information, please contact: H.Jim Lo, National Taiwan University, Taiwan, R.O.C.: huaijuan@gmail.com)*

Advantages and Global Governance

Christos Pitelis, University of Cambridge

The impact of firm value capture strategies on the sustainability of the value creation process, as a whole, has been little discussed in the literature. Despite contributions by classic authors on issues pertaining to value capture and value creation, moreover, we still lack a conceptual framework on all their nature and determinants. Our purpose in this paper is to propose a conceptual framework for value creation and value capture, explore their relationship, and discuss pre-requisites for sustainable aggregate value creation. We then derive propositions and explore implications of our analysis on business strategy and public policy. *(For more information, please contact: Christos Pitelis, University of Cambridge, United Kingdom: c.pitelis@jbs.cam.ac.uk)*

Session: 3.2.10 - Competitive
Track: Track: 3 - Alliances and Inter-Firm Relationships

Alliance Processes

Presented On: July 3, 2008 - 10:40-11:55

Chair: Peter Smith Ring, Loyola Marymount University

The Unwillingness to Dissolve IJV: Its Sources and Outcomes
 Naoki Ando, University of Nagasaki

This study addresses issues concerning instability in international joint venture (IJV). Although a number of studies have explored the determinants of IJV instability, we do not have any substantial knowledge of what occurs after IJV instability is surmounted. For this reason, this study explores not only the antecedents but also decedents of a successful relationship between partners in an IJV. Based on a sample of 109 IJVs in Korea, an empirical study is conducted to examine our hypotheses with regard to the antecedents and outcomes of IJV instability. The results show that when interorganizational trust is developed between partners, they become reluctant to dissolve the IJV even when dissolution is the best strategy. We also find that when partners are unwilling to terminate the IJV, sharing of confidential/proprietary knowledge is facilitated between them. When a good relationship is established between the partners, the formal joint venture contracts do not seem to be used as a primary means for interpartner conflict resolution. The results also suggest that when not using formal contracts as a conflict resolution method, partners are likely to become tolerant of short-term unsatisfactory IJV performance. *(For more information, please contact: Naoki Ando, University of Nagasaki, Japan: nando@nagasakiu.ac.jp)*

The Dynamic Evolution of International Joint Ventures
 Jeong Ho Choi, Korea University
 Jay Hyuk Rhee, Korea University

Studies on the dynamic evolution of strategic alliances have proliferated in many scholars with different approaches. Of the approaches, we focus the resource dependence and inter-organizational relationship perspectives. Both perspectives explain the process in which how the alliances maintain and develop an inter-partner relationships and how those relationships influence the resource dependency. However, both perspectives seem to have some limitations in explaining the dynamics of alliances. Thus, in this study, we combine resource dependence and inter-organizational relationship perspectives in order to fill in the theoretical gaps between two perspectives. Based on the combined approach, we investigate effects of cooperation and competition on partners' resource dependency in the context of international joint ventures. It should be also noted that this resource dependency may be influenced strongly by the tacitness of resources. Thus, we also investigate whether the relationship of resource dependency with cooperation and competition can be moderated by resources tacitness. In this sense, we argue that when the local partner's willingness to cooperate is increasing, the foreign partner will more likely to increase the dependency on local partner's resources. Yet, if the local partner tries to cooperate too much, due to the appropriability of resources, the foreign partner's dependency on the local partner's resources will be decreased over time. Similarly, each partner may reduce inter-partner dependency while increasing competition. Because of each partner's protective behavior on its resources or its decreased motivation of competition due to the learning-enough-effect, the resource dependency will decrease over time. Moreover, this decreasing dependency may less steep when the resources are highly tacit. The results support the view that the local partner's cooperation has a curvilinear relationship with the foreign partner's resource dependency. We also found that the foreign partner's competition has a negative relationship with the foreign partner's dependency on the local partner's resources. Furthermore, we found this relationship to be positively moderated by the tacitness of resources. Taken

together, the results of this study clearly reveal the process-oriented dynamics of international joint ventures. (For more information, please contact: Jay Hyuk Rhee, Korea University Business School, Korea, South: jayrhee@korea.ac.kr)

How Top Managers Influenced Restructuring and Performance in Czech Firms

Elisa Galeotti, Charles University Institute of Economic Studies
Stanley Nollen, Georgetown University

We analyze the effects of managerial actions and international linkages on restructuring and performance among Czech manufacturing firms using original firm-level survey data. We find that managers who were more skilled and experienced, who compensated their employees better, and who had alliances with foreign firms had greater human capital restructuring. In turn, firms whose managers achieved greater human capital restructuring and more product and market restructuring performed better. The role of international linkages on performance appears to be largely indirect, although Czech managers with stronger relationships with western managers reported better performance than their competitor firms. (For more information, please contact: Elisa Galeotti, Charles University Institute of Economic Studies, Czech Republic: elisagaleotti@seznam.cz)

An Empirical Examination of the Post-Formation Process in International Strategic Alliances

Youngtae Choi, University of North Florida
Paul Anthony Fadil, University of North Florida

This research explores post-ISA establishment processes by exploring the interrelationships surrounding utilization as a resource coordinating activity, two communication dimensions (four communication factors) as the antecedents of utilization, and the implications of utilization for ISA performance. Analysis of survey data indicates that 3 of the 4 communication factors (all except for informal communication) are important in effectively utilizing the resources contributed by each ISA partner and that the utilization process contributes to the achievement of each ISA partner's objectives. The results also demonstrate that the utilization concept is robust enough to absorb host government interference and is not affected by cultural sensitivity among ISA partners. Utilization is also found to fully mediate the relationships between the three significant communication factors (formal, two-way, and participative) and ISA performance. (For more information, please contact: Paul Anthony Fadil, University of North Florida, United States: pfadil@unf.edu)

Session: 3.2.11 - Competitive

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

Expatriate Management Issues

Presented On: July 3, 2008 - 10:40-11:55

Chair: Marion Festing, ESCP-EAP European School of Management

Multi-Facet and Multi-Level Construct of Expatriate Adjustment

Xiaoyun Wang, University of Manitoba
N. Sue Bruning, University of Manitoba
Brigitte Lapierre, Centre for Intercultural Learning, Canadian Foreign Service Institute

The three-facet construct of expatriate adjustment proposed by Black (1988), along with the scale (11-item one by Black, 1988; and 14-item one by Black & Stephen, 1989), and theoretical framework (Black, Mendenhall, & Oddou, 1991), has guided the expatriate management research field in the last two decades. While this construct has endured massive empirical testing, new development in the expatriate adjustment field requires a

reexamination of this construct. Using a qualitative research method and based on this traditional three-facet construct of expatriate adjustment, we developed a new three-facet and two-level expatriate adjustment construct to reflect the complexity of the adjustment process and the changes of the expatriate adjustment field. With twenty (20) interviews from different groups of expatriates, we confirmed that expatriate adjustment has three facets: home connection adjustment, general adjustment and work adjustment; and two levels: surface level (artifact adjustment and interaction adjustment) and deep level (value adjustment and basic assumption adjustment). Discussion of the results and implications of our findings are also provided. *(For more information, please contact: Xiaoyun Wang, University of Manitoba, Canada: xiaoyun_wang@umanitoba.ca)*

*Do Global Firms Measure Expatriate Return On Investment?
An Empirical Examination of Measures, Barriers and Antecedents*

Yvonne Maria McNulty, Monash University
Helen L. De Cieri, Monash University

Obtaining a return on investment (ROI) from expatriates is viewed as important in many global firms, as evidenced by the considerable efforts of managers to reduce the costs of their mobility programs. This research examines how expatriate ROI is measured for long-term assignments in 51 global firms, across 18 industries, and with headquarters in North America, UK, Europe, Africa, and Asia Pacific. Our findings suggest that firms do not have formal procedures in place to measure expatriate ROI and instead rely heavily on informal practices that are predominantly used in spite of a global strategy, not because of it. Cultural, operational, and strategic barriers to measuring ROI also exist, with some managers having no desire to engage in ROI activities given that expatriates will still be used even if the return on investment is minimal. We found that the nature of traditional expatriation is changing with implications for the planning and management of international assignments. Expatriate ROI therefore remains a challenging and complex process that managers do not appear well-equipped to address. *(For more information, please contact: Yvonne Maria McNulty, Monash University, Singapore: yvonne.mculty@buseco.monash.edu.au)*

International Assignment Success: Career and International Assignment Fit

Jean-Luc Cerdin, ESSEC Business School
Marie Le Pargneux, Université de Corse

This article examines how the fit between career and international assignment is likely to impact international assignment (IA) success at its various stages. We propose an integrative model of IA success that encompasses three stages of an international assignment, before expatriation, expatriation itself and repatriation. The principal objective of this article is to contribute to the understanding of how individuals' career characteristics influence IA success during both the expatriation and repatriation stage. In our model, IA success is considered from both the individual and organizational perspective. In addition to utilizing the theory of fit to examine IA success during the stages of both expatriation and repatriation, we also utilize human capital and signal theory to examine the relationship between expatriation success and repatriation success. From the propositions of our conceptual study, practical and theoretical implications are provided. *(For more information, please contact: Jean-Luc Cerdin, ESSEC Business School, France: cerdin@essec.fr)*

Expatriation Research Through the Knowledge Lens: The Value of Focusing on the Idiosyncratic

Brendan Philip Boyle, University of Newcastle
Stephen Nicholas, University of Newcastle
Rebecca Mitchell, University of Newcastle

This paper argues that theory clarifying the strategic importance of knowledge in multinational enterprises (MNEs) provides a strategic context in which expatriate assignments can be studied. The proposition is

forwarded that while expatriate assignments are presented in the literature as a mechanism for the transfer of knowledge within the MNE, the literature has not adequately confronted the critical issue of defining the types of knowledge held by expatriates in line with appropriate theory. This paper explains why a greater consideration of the firm-specific characteristics of the knowledge transferred by expatriates is required when defining the knowledge transferred during expatriate assignments. Two propositions are argued as means by which this could be achieved; by a closer examination of the role of expatriates in replicating the MNEs idiosyncratic applications of generic knowledge and by examining expatriates roles in transferring intra-organizational knowledge across the distant units of the MNE. This approach to the study of assignments not only demonstrates that assignments invariably facilitate the transfer of idiosyncratic knowledge, but also provides a theoretical framework for the study of assignments guided by, and integrated with, core internal strategic issues for the MNE, as defined by the resource-based view of the firm. *(For more information, please contact: Brendan Boyle, University of Newcastle, Australia, Australia: brendan.boyle@newcastle.edu.au)*

Session: 3.2.12 - Competitive

Track: Track: 3 - Alliances and Inter-Firm Relationships

Alliances in Asia

Presented On: July 3, 2008 - 10:40-11:55

Chair: Dean Xu, University of Hong Kong

Discussant: Rakesh Sambharya, Rutgers University

Exchange Hazards, Trust, and Contracts in China: The Contingent Role of Legal Enforceability

Kevin Zheng Zhou, University of Hong Kong

Laura Poppo, University of Kansas

This article provides an empirical snapshot of the effects of institutional change on governance choices in the emerging economy of China. Our central argument is that legal enforceability greatly influences companies' reliance on trust or contracts to safeguard market transactions against exchange hazards. The findings show that as legal enforceability improves, companies shift from the use of trust toward explicit contracts in response to exchange hazards with high levels of asset specificity, environmental uncertainty, or behavioral uncertainty. However, when legal enforceability is low, greater levels of behavioral uncertainty are not associated with greater levels of trust. This result runs contrary to the conventional logic that trust is most important in settings in which monitoring and observability of the other party become difficult. Furthermore, as legal enforceability becomes stronger, the positive relationship between trust and contracts declines, showing that the level of complementarity depends on legal enforceability. *(For more information, please contact: Kevin Zheng Zhou, The University of Hong Kong, Hong Kong: kevinzhou@business.hku.hk)*

Institutional Forces Influencing International Joint Venture Motives: A Study of British Retail TNCs Operating in South East Asia?

Martin David Owens, University of Bradford

Mark Palmer, Aston University

Inter-firm collaborative relationships play an increasingly important role in the strategies of retail TNCs. Despite this activity, however, the literature on retail internationalisation provides surprisingly little consideration on the decisions and conditions surrounding the utility of joint ventures within international retail markets. By contrast, a rather large body of research work, which is situated in the broader international business and strategic management literatures, has drawn upon the manufacturing experience of international joint venturing. Almost inevitably, studies in this area cleave to the traditional macro-driven economic-based theories, such as transaction cost analysis and resource based theory. This study aims to explain IRJV formation from the

institutional theory perspective which has so far much less researched in both fields. Conceiving of international retail joint venturing activity from this institutional perspective, we argue, assists in understanding strategizing in pluralistic retail TNC contexts – that is, confronting the challenges of multiple partners and relationships within distributed multi-unit contexts. Drawing upon the experiences of three British IRJVs in South East Asia, the exploratory findings indicate that (i) multiple institutional forces co-exist, (ii) retail TNCs reject internal constituents demands in the pursuing or shaping external legitimacy (iii) (re)gaining legitimacy is pursued within the host market's institutional fields of property, labour and the customer, and (iv) the wariness of making mistakes amongst institutional actors shapes the joint venture strategy. *(For more information, please contact: Martin David Owens, University of Bradford, United Kingdom: m.d.owens@bradford.ac.uk)*

Corporate Diversification, Group Diversification, and Firm Performance in China

Yi Zhang, Peking University

Dean Xu, University of Hong Kong

Andrew Delios, National University of Singapore

We examine the performance consequences of both corporate diversification and the diversification of the business group to which a firm is affiliated. Our empirical analysis, based on a sample of 1,030 listed firms in a major emerging market, China, shows a negligible effect of corporate diversification, and a strong positive effect of group diversification, on firm performance. A test on the moderating effect of group diversification on the relationship between corporate diversification and firm performance indicates that when a firm can achieve diversification through a business group, it should stay focused at the corporate level; otherwise, it should diversify by itself to compensate for imperfections in market institutions. *(For more information, please contact: Dean Xu, The University of Hong Kong, Hong Kong: dxu@business.hku.hk)*

Session: 3.2.13 - Competitive

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

The HR Dimension in Headquarters-Subsidiary Relationships

Presented On: July 3, 2008 - 10:40-11:55

Chair: Björn Ambos, Vienna University of Economics and Business Administration

Agency Theory in the Context of Transition Economies: Head Office Control in Central- and Eastern European Subsidiaries

Barbara Brenner, Vienna University of Economics and Business Administration

Taco H. Reus, Florida Atlantic University

Agency theory, which is in the mainstream of Western thinking about head office management, is less used in the context of transition economies, such as Central and Eastern Europe (CEE). This is surprising considering that monitoring and control, which stands at the core of agency theory, has a very distinctive meaning in this particular context. Based on rich qualitative data from 51 in-depth interviews with executives in CEE, we explore how agency theory applies to subsidiary management by Western multinational companies in CEE. We demonstrate how principal-agent relationships are notably influenced by context. In particular, current political and economic risk, and cultural characteristics to some degree rooted in a history of communism, influence interest alignment and information asymmetry between head offices and foreign subsidiaries in Central and Eastern Europe. This, then, has important implications for instances of moral hazard and adverse selection in foreign subsidiaries. We show that MNCs can effectively moderate agency problems by social control in the form of expatriates and inpatriates in the CEE *(For more information, please contact: Barbara Brenner, Vienna University of Economics and Business Administration, Austria: barbara.brenner@wu-wien.ac.at)*

Identity, Knowledge and Strategy in the UK Subsidiary of an Anglo-German Automobile Manufacturer

Fiona Moore, University of London

This paper investigates the ways in which knowledge management in MNCs is affected by the collective strategies of different groups within the organisation affiliated with different national, class and ethnic identities, through an examination of the narratives of local managers, expatriate managers and workers at an Anglo-German automobile manufacturing plant in the UK.

My findings are, firstly, that power relations within the plant were much less straightforward than they initially appeared, with complex alliances forming between different groups of managers and workers. Secondly, knowledge management was a key part of these strategies. Thirdly, the workers as well as the managers engaged in knowledge management and strategy development. I conclude that culture and class strongly affect knowledge transfer in complicated ways, and that a better understanding of the fragmented nature of culture in organisations is needed in order to take into account the complexities of strategic relations between subgroups in MNCs. *(For more information, please contact: Fiona Moore, University of London, United Kingdom: fiona.moore@rhul.ac.uk)*

Global Compensation Management: A Case of a Multinational Financial Firm

Yoshio Yanadori, University of British Columbia

Compensation research, for the most part, has focused on domestic contexts, ignoring issues of compensation that arise in cross-national contexts. This lack of attention to global contexts is particularly problematic because of the important role multinational corporations (MNCs) now play in the world economy. This study is one of the first attempts to close this research gap. Through an examination of compensation information from ten subsidiaries of a US-based MNC in the financial industry, I have explored how one specific MNC balanced two seemingly contradictory logics, localization and strategic alignment, when developing compensation systems in its foreign subsidiaries. My empirical analysis has revealed that while this MNC incorporated local contexts when determining pay level in its foreign subsidiaries, it primarily emphasized the strategic alignment logic when determining pay mix in its subsidiaries. Furthermore, this MNC emphasized the strategic alignment logic to a greater extent when determining the pay level for senior managers than it did when determining the pay level for other employees. *(For more information, please contact: Yoshio Yanadori, University of British Columbia, Canada: yoshio.yanadori@sauder.ubc.ca)*

Legitimacy Processes and the Transfer of Human Resource Policy and Practice in US Multinational Subsidiaries

David Collings, National University of Ireland, Galway

Penny Dick, University of Sheffield

In this paper, the extent of centralisation of HR policies within Irish subsidiaries of two large US MNCs, is explored using the concept of legitimacy. Utilising Ruef and Scott's (1998) distinction between the technical and managerial levels within organizations, and drawing on qualitative case-study data, we argue that subsidiaries of MNCs are primarily concerned with building or maintaining internal legitimacy at the technical level. While, as has been argued in the literature, subsidiary actors can use internal technical level legitimacy to buffer the managerial level from HQ scrutiny, this does not necessarily lead actors to resist centralisation, especially where centralisation is perceived to enhance the subsidiary's technical level-performance, its external legitimacy and its autonomy. However, where HRM has not been historically seen as central to technical-level performance, and where HR capability is consequently low, this can expose internal contradictions, leading to low levels of both policy integration and internalisation. *(For more information, please contact: David Collings, National University of Galway, Ireland: david.collings@gmail.com)*

Session: 3.2.14 - Competitive

Track: Track: 2 - Economics, Finance, Accounting, Taxation

International Corporate Finance

Presented On: July 3, 2008 - 10:40-11:55

Chair: Raj Aggarwal, University of Akron

Multiple Large Shareholders, Control Contests, and Implied Cost of Equity

Najah Attig, Saint Mary's University

Omrane Guedhami, University of South Carolina

Dev Mishra, University of Saskatchewan

In this paper, we examine whether the presence of multiple large shareholders alleviates firm's agency costs and information asymmetry embedded in ultimate ownership structures. We extend extant corporate governance research by addressing the effects of multiple large shareholders on firm's cost of equity capital—a proxy for firm's information quality. Using data for 1,165 listed corporations from 8 East Asian and 13 Western European countries, we find evidence that the implied cost of equity decreases in the presence of large shareholders beyond the controlling owner. We also find that the voting rights, the relative voting size (vis-à-vis the first largest shareholder) and the number of blockholders reduces firm's cost of equity. Interestingly, we uncover that the presence of multiple controlling shareholders with comparable voting power lowers firm's cost of equity. We also find that the identity of the second largest shareholder is important in determining the risk of corporate expropriation in family-controlled firms. Overall, the evidence in this paper highlights the significance of multiple large shareholders structures—as an internal governance mechanism—in curbing private benefits and reducing information asymmetry evident in cost of equity financing, especially in countries with weak investor protection. *(For more information, please contact: Najah Attig, Saint Mary's University, Canada: najah.attig@smu.ca)*

Is Gravity a Cultural Artefact? The Role of Cultural Distance in Foreign Portfolio Investment

Raj Aggarwal, University of Akron

Colm Kearney, Trinity College Dublin

Brian Lucey, Trinity College Dublin

Despite a very significant volume of research in international business on the mediating effects of national culture, international finance and economics has lagged somewhat in incorporating culture into empirical studies. Within a standard gravity model of foreign portfolio investment using bilateral data from the IMF Consolidated Investment Positions, we investigate the role of cultural differences. We document that after accounting for religion, language, and traditional economic variables, higher cultural differences between nations is associated with lower equity and debt investment, the effect being stronger for equity. *(For more information, please contact: Brian Lucey, Trinity College Dublin, Ireland: blucey@tcd.ie)*

Does Social Responsibility Matter? Does It Deter Firms from Financial Performance? A View From Europe

Harvey Arbelaez, Monterey Institute of International Studies

Jean-Gabriel Cousin, ESA, University of Lille 2

Hager Jemel, IAE, University of Lille I

The academic interest in the performance of the so-called social responsible firms has grown steadily over the last few years. However, empirical evidence remains scarce. By studying a portfolio of firms included in the ASPI Euro zone Index, this work contributes to fill this existing gap. This research study examines the performance and risk sensitivities of a portfolio of stocks and aims at overcoming the methodological deficiencies of prior

studies. In particular, this study adopts Carhart's (1997) multifactor attribution approach and Ferson – Schadt conditional model. After controlling for market risk and others factors, it is found that the evidence supporting the conjecture that the performance differential between firms classified as socially responsible and the others is insignificant. *(For more information, please contact: Harvey Arbelaez, Monterey Institute of International Studies, United States: harvey.arbelaez@miis.edu)*

Productivity and Labour Demand Effects of Inward and Outward FDI on UK Industry
Nigel Driffield, Aston University

We relate the technological and factor price determinants of inward and outward FDI to its potential productivity and labour market effects on both host and home economies. This allows us to distinguish clearly between technology sourcing and technology exploiting FDI, and to identify FDI which is linked to labour cost differentials. We then empirically examine the effects of different types of FDI into and out of the United Kingdom on domestic (i.e. UK) productivity and on the demand for skilled and unskilled labour at the industry level. Inward investment into the UK comes overwhelmingly from sectors and countries which have a technological advantage over the corresponding UK sector. Outward FDI shows a quite different pattern, dominated by investment into foreign sectors which have lower unit labour costs than the UK. We find that different types of FDI have markedly different productivity and labour demand effects, which may in part explain the lack of consensus in the empirical literature on the effects of FDI. Our results also highlight the difficulty for policy makers of simultaneously improving employment and domestic productivity through FDI. *(For more information, please contact: Nigel Driffield, Aston university, United Kingdom: n.l.driffield@aston.ac.uk)*

Session: 3.3.1 - Special Session

JIBS Decade Award

Presented On: July 3, 2008 - 12:05-13:20

Chair: Thomas P. Murtha, University of Illinois-Chicago

Session: 3.3.2 - Competitive
Track: Track: 6 - Learning, Knowledge and Innovation

Determinants of and Obstacles to Knowledge Transfer

Presented On: July 3, 2008 - 12:05-13:20

Chair: James F. Nebus, University of North Carolina at Charlotte

The Effects of Cultural Differences on Knowledge Assets and U.S. MNCs' Firm Value
Kenneth M Norton, King College and Nova Southeastern University
Pan Yatrakis, Nova Southeastern University

This study examined the effect of cultural differences (CD) between U.S. multinational companies (MNCs) and their foreign subsidiaries on the value of the U.S. parent companies as calculated using Tobin's Q. The findings suggest that CD has an inverse relationship with U.S. parent company firm value, and imply that cultural differences can impede knowledge transfer within the MNC. The results also revealed that: (1) risks or rewards can result from cultural distances in the transfer of knowledge assets, and (2) no conclusions can be drawn as

to whether MNC value is enhanced or reduced as a consequence. *(For more information, please contact: Kenneth M Norton, Nova Southeastern University, United States: nkenneth@nova.edu)*

Changing Perspectives: Exploring the Configurational Aspects of Team Dispersion and Their Effects on Knowledge Flows

Katharina Johanne Raab, Vienna University of Economics and Business Administration
Björn Ambos, Vienna University of Economics and Business Administration

This study looks at knowledge flows among members of globally dispersed teams. Focusing on a team's collateral dispersion, both with regards to geographical and cultural separation as well as isolation, our study provides new empirical evidence on this under-researched topic. Our results suggest that not the instance of pure separation, but more specifically, situations of cultural isolation, cause suboptimal knowledge flows within globally dispersed teams. While this result is well in line with recent research on social categorizations and faultline dynamics in teams, it does challenge some traditional assumptions on the impacts of dispersion, as well as the appropriate level of analysis in studies on knowledge flows within the MNC. We discuss the implications of these results for further research on, as well as the management of globally dispersed teams. *(For more information, please contact: Katharina Johanne Raab, Vienna University of Economics and Business Administration, Austria: katharina.raab@wu-wien.ac.at)*

Overcoming Contextual Barriers in Knowledge Transfer: Making the 'Invisible' Salient

James F. Nebus, University of North Carolina at Charlotte
Kah-Hin Chai, National University of Singapore

Our understanding of context and contextual knowledge is a gap in the literature which has not received the attention it merits. Contextual knowledge is most prevalent in practice as all knowledge has a corresponding context which reflects why it was created, and implies how it is to be interpreted. The contextual knowledge "trap" occurs because individuals ignore, or are oblivious to, the context in which knowledge is embedded. The consequence is that knowledge which is valid and useful at the source's context may be invalid, or even worse – dysfunctional – when applied in the receiver's context. The paper makes two contributions. Primarily, it answers the question: why is context often invisible to knowledge producers and consumers? We explain that context 'invisibility' stems from one's lack of awareness, a function of both the context's saliency and an individual's attention. We posit that context saliency is negatively affected by dispersedness and ambiguity, and positively affected by novelty. Unfortunately, novelty is diminished by those immersed in context. The paper's second contribution is distinguishing between tacit and contextual knowledge. The lack of literature on contextual knowledge is partially explained by the literature's simplistic tacit / explicit dichotomy which confounds tacit and contextual knowledge. *(For more information, please contact: James Nebus, U of North Carolina Charlotte, United States: jfnebus@uncc.edu)*

Individual Cognitive Barriers to Reverse Knowledge Transfer in the MNC: A Conceptual Framework

Soo Hee Lee, Birkbeck, University of London
Jai Beom Kim, Sungkyunkwan University
Christopher Williams, University of Amsterdam

This paper proposes a new model on the cognitive barriers to reverse knowledge transfer in MNCs and argues for the importance of informal mechanisms such as social conventions in overcoming these barriers. The main cognitive barriers MNC subsidiaries face in reverse knowledge transfer are breach of psychological contract, perceived lack of procedural justice, lack of intrinsic motivation, psychic distance and liability of foreignness. The creation and fostering of informal mechanisms is the key moderator to overcoming cognitive barriers to reverse knowledge transfer. *(For more information, please contact: Soo Hee Lee, Birkbeck, University of London, United Kingdom: s.lee@bbk.ac.uk)*

Session: 3.3.3 - Competitive
Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

Cultural Values

Presented On: July 3, 2008 - 12:05-13:20

Chair: Nakiye Boyacigiller, Sabanci University

The Impact of Abusive Supervision on Worker Attitudes: The Effect of Differences in Cultural Values

Mary C. Kernan, University of Delaware
 Sharon Watson, University of Delaware
 Tai Gyu Kim, University of Delaware & Korea University

This study is an empirical analysis of the impact of cultural values on the relationship between abusive supervision and worker job attitudes. Using data collected from workers in the U.S. and Korea, we find national differences in the strength of the effects of abusive supervision on job satisfaction and negative well-being, with U.S. workers responding more intensely than Korean workers. We also find that the effects of abusive supervision on job satisfaction, job involvement, and perceived organizational support are moderated by workers' achievement and benevolence values, but not their power values. *(For more information, please contact: Sharon Watson, University of Delaware, United States: watsons@lerner.udel.edu)*

A Cross-cultural Investigation of Religious Affiliation Differences in Personal Values across 11 Countries and six Religions

Shaista E. Khilji, George Washington University
 Edward F. Murphy, Jr, Embry Riddle Aeronautical University
 Bahuddin Mujtaba, Nova Southeastern University

The purpose of this study was to reevaluate the dominant influence of the theory of secularization in the management literature by exploring religious affiliation differences in the personal values of respondents. We used a large dataset drawn from a collection of 11 developed and emerging countries, and found significant cross-cultural religious affiliation differences among terminal and instrumental values of Catholics, Christians, Buddhists, Muslims, Atheists, and Hindus. Although personal values were differentiated by religious affiliations, there were also some similarities across the sample. Managerial implications are discussed. *(For more information, please contact: Shaista Ehsan Khilji, The George Washington University, United States: shaistakhilji@gmail.com)*

Contradictions in National Culture: Hofstede vs. GLOBE

Sunil Venaik, University of Queensland
 Paul Anthony Brewer, University of Queensland

The concept of national culture has been a core topic of international business research for many years, based in large part on the seminal model developed by Geert Hofstede. A recent research project, the GLOBE study, presents an additional, expanded model of cultural measures. This paper takes the opportunity to compare cultural dimensions across these two important studies looking for consistencies and support in both data and analysis. Rather than mutual support, we found major inconsistencies and anomalies across the studies, in particular in respect of the key dimension of Uncertainty Avoidance. The most worrying of these is the highly significant negative correlation between GLOBE uncertainty avoidance practices measures and Hofstede's uncertainty avoidance index for specific cultures. If left unresolved these inconsistencies will erode the confidence researchers have in the foundations of much cross-cultural research. *(For more information, please contact: Sunil Venaik, UQ Business School, University of Queensland, Australia: s.venaik@business.uq.edu.au)*

Work-related Acculturation: Change in Individual Work-related Cultural Values Following Immigration
Vas Taras, University of Calgary

Thousands of studies have demonstrated the need for culture-sensitive approaches when managing people in different countries. It is now relatively well-known how cultures vary across countries and what management practices are more effective in different parts of the world. But how about managing immigrants who constitute a substantial part of the workforce in most industrialized countries? How long do immigrants retain their original cultural values? Can assumptions about tacit work-related value acculturation be made based on change in visible elements of culture such as language proficiency or food and music tastes? What are the factors that can speed up or slow down acculturation pace? The study addresses the questions based on a quasi-longitudinal cohort analysis of responses of over two thousand immigrants residing in Canada. The results are discussed with a focus on implications for practitioner managers as well as immigration policy makers. *(For more information, please contact: Vas Taras, U. of Calgary, Canada: taras@ucalgary.ca)*

Session: 3.3.4 - Competitive

Track: Track: 7 - FDI, Location, Firm-Location Interaction

Knowledge in the Context of FDI

Presented On: July 3, 2008 - 12:05-13:20

Chair: George Georgopoulos, York University

The Multinational Enterprise's Dilemma: Where to Exploit and Explore Its Technological Assets

Heechun Kim, Arizona State University

Hicheon Kim, Korea University

Robert Hoskisson, Arizona State University

Using an integrated model that combines explanations from ambidexterity and institutional economics, we examined the simultaneous relationships between firms' investment in technological assets and international diversification into comparatively more versus less technologically advanced host countries than the home country. Using a sample of 136 Korean manufacturing firms during the 1993-1998 period, we found a positive simultaneous relationship between investment in technological assets and international diversification into relatively more technologically advanced host countries. However, we found no effect of investment in technological assets on international diversification into relatively less technologically advanced host countries. In examining the simultaneous effect, we found a negative effect of international diversification into less technologically advanced host countries on investment in technological assets. The overall findings suggest that firms are more ambidextrous (able to employ both exploitation and exploration) in regard to the relationship between investment in technological assets and international diversification when their international diversification is focused on host countries that are relatively more technologically advanced compared to less advanced than the home country. *(For more information, please contact: Heechun Kim, Arizona State University, United States: heechun.kim@asu.edu)*

Managerial Knowledge Spillovers from Foreign Direct Investment: Evidences from UK Survey Data

Xiaolan Fu, University of Oxford

Knowledge spillovers from foreign direct investment (FDI) have been a significant topic in economics and business research. Substantial research has been done with regard to the impact of technology / R&D spillovers from FDI. However, little is known about managerial knowledge spillovers although it is one the two most important types of knowledge transfer. This study analyses the managerial knowledge spillovers from FDI using panel and cross section datasets from UK national workplace survey. It is found that multinational enterprises

(MNEs) in the UK have adopted much more management practices across a wide range of areas than the indigenous UK firms. The gap between the indigenous British firms and MNEs are considerable and statistically significant. Statistical evidences suggest significant intro-firm transfer and inter-firm spillovers of managerial knowledge from FDI. Firms transit from UK ownership to foreign-dominated ownership enjoys higher degree of increase in management practices adoption rates than their counterparts. There are significant positive inter-firm managerial knowledge spillovers from MNEs in the UK in most management areas. Productivity effects of the foreign managerial knowledge spillovers on indigenous workplaces are positive and significant. *(For more information, please contact: Xiaolan Fu, University of Oxford, United Kingdom: xiaolan.fu@qeh.ox.ac.uk)*

FDI and Spillovers in the Swiss Services/Construction Industry: Interaction Effects between Spillover Mechanisms and Domestic Technological Characteristics

Lamia Ben Hamida, University of Fribourg

This paper examines intra-industry spillover effects from foreign direct investment (FDI) in Switzerland. Using firm-level data, it tests the presence and the extent of spillovers for the service/construction industry in which there is scarce evidence. It suggests that (a) the assessment of spillover benefits calls upon a detailed analysis of those effects according to the mechanisms by which they occur (viz. the increase of competition, demonstration effects, and worker mobility), and (b) the size and the extent of spillovers depend upon the interaction between their mechanisms and the existing technological capacities of domestic firms. Regression results are affirmative in that domestic firms with high technological capacity appear to gain spillover benefit from FDI heightening competition, while, mid and low technology firms benefit a lot from demonstration effects. In addition, the results demonstrate that spillovers for high and mid technology firms appear to be largely co-determined by the level of their human capital. And only domestic firms which largely invest in the absorptive capacity benefit from FDI spillovers, resulting mainly from the technology transfer. *(For more information, please contact: Lamia Ben Hamida, University o Fribourg, Switzerland: lamia.benhamida@unifr.ch)*

Session: 3.3.5 - Competitive

Track: Track: 11 - FDI in and from Emerging Markets

Role of Experience and Knowledge in Internationalization - Evidence from Emerging Markets

Presented On: July 3, 2008 - 12:05-13:20

Chair: Bindu J. Vyas, King's College

Competition for Markets in the Brewing Industry in Central and Eastern Europe

Kristian Jakobsen, Copenhagen Business School

This study explores competitive market entry behavior in multiple geographical markets. Taking our departure in the brewing industry in Central and Eastern Europe we find that moving first is associated with strong performance advantages. These performance advantages suggest that firms may compete to obtain first mover opportunities across multiple geographical markets. Sustainable first mover advantages in foreign entry may lead to a competitive behavior akin to competition for markets rather than competition for market share. Nevertheless, rivals do frequently appear to challenge incumbents by following into their markets. It is suggested that these follower investments may be made primarily for the purpose of tying up the incumbent's resources rather than actually challenging its position. Furthermore, we suggest that in spite of high exit rates, foreign market entry by small players in oligopolistic industries may still make sense to the extent that lower exit barriers are offered through acquisition based industry consolidation. *(For more information, please contact: Kristian Jakobsen, Copenhagen Business School/INT, Denmark: kj.int@cbs.dk)*

Capability Building Through Learning from Serial Acquisitions: A Study of Indian Firms

B. Elango, Illinois State University
Chinmay Pattnaik, University of Sydney

The importance of knowledge in the internationalization process of the firm is well recognized by the Uppsala Model. Using this model as a framework, we integrate the notion of serial acquisitions as an option for emerging market firms to acquire knowledge for operations in international markets. The longitudinal data used in this study is based on a sample of 177 acquisitions by Indian firms. Using regression models, we find that firms in emerging markets sequentially acquire targets that help them optimize their ability to learn from the acquisitions. Prior experience, assimilative capacity, and type of knowledge sought influence the acquisition pattern of these firms. Additionally, we find the country-specific knowledge held by these firms at the business group level moderates the choice of the target. *(For more information, please contact: B. Elango, Illinois State University, United States: elango@ilstu.edu)*

The Affect of Domestic Experience on the Internationalisation of Smaller Indian Firms

Athena Bangara, Monash University
Susan Maria Freeman, Monash University
William Schroder, Monash University

Prior to its liberalisation in 1991, the Indian economy was said to have adopted an inward-focused, socialist-style, economic framework. This study provides insight into the affect of domestic experience on the internationalisation of smaller Indian firms that were established prior to the country's liberalisation. Using institutional theory as the key theoretical perspective, the study extends current knowledge of the impact of firm experience on the internationalisation process. In contrast to existing studies that highlight the importance on ongoing business, country and international experience, our findings highlight the importance of domestic experience to firm internationalisation. The study incorporates a qualitative research design based on eight case studies of smaller firms selected from Bangalore's manufacturing and service sector. The findings reveal that smaller Indian firms with extensive domestic experience in a highly-regulated socialist economy have a competitive advantage in entering other emerging economies characterised by challenging institutional environments. This competitive advantage is argued to be a result of the firm's experience in an institutionally complex and diverse domestic market. In particular, the findings reveal the importance of domestic experience while dealing with political instability, institutional distance and in managing corruption in international markets. *(For more information, please contact: Athena Bangara, Monash University, Australia: athena.bangara@buseco.monash.edu.au)*

Contextualizing Experience Effects in International Business: A Study of Ownership Strategies

Peng-Yu Li, National Chengchi University
Klaus E. Meyer, University of Bath

Experienced firms act differently than newcomers, yet such differences vary with the context and with the type of experience. We thus investigate the effects of international experience on MNEs' ownership strategy across a range of developed and developing economies. We distinguish competence building and partner selection effects of experience, which vary between general international experience and country-specific experience, and across host contexts. This contextualization of the theoretical arguments suggests that the predicted effects hold in some host countries, but not in others.

In support of these arguments, our empirical study of 1787 Taiwanese overseas subsidiaries finds that general international experience facilitates wholly owned operations in developed economies in North East Asia and Europe, while country-specific experience facilitates joint ownership in China. *(For more information, please contact: Klaus E. Meyer, School of Management, University of Bath, United Kingdom: K.Meyer@Bath.ac.uk)*

Session: 3.3.6 - Competitive
Track: Track: 6 - Learning, Knowledge and Innovation

Location of R&D Activities

Presented On: July 3, 2008 - 12:05-13:20

Chair: Christian Le Bas, Institut des Sciences de l'Homme

Factors Determining Offshore Location Choice for R&D Projects: A Comparative Study of Triad Regions
 Mehmet Demirbag, University of Sheffield
 Keith Glaister, University of Sheffield

Based on a dataset of 1900 R&D projects by MNEs in the triad regions, we examine the impact of home and host country, industry and firm level variables on choice of location. Using a taxonomy of R&D projects classified as basic research, applied research, exploratory development and advance development, we draw on the extended OLI paradigm to develop our hypotheses. At the regional level, findings show that the R&D wage difference and knowledge infrastructure difference between home and host countries of R&D projects are important determining factors. At the firm level, experience of overseas R&D projects and prior experience of research in the host country are found to be important determinants. The national culture distance between home and host countries is also an important determinant of R&D location choice. A distinguishing feature of the paper is that we examine regions in pairs (binomial) in order to identify determining factors of location choice. *(For more information, please contact: Mehmet Demirbag, University of Sheffield, United Kingdom: m.demirbag@sheffield.ac.uk)*

Growth Engines of the Multinational Corporation: A Longitudinal Study of the Drivers of Entry Into New Technologies in Foreign Locations
 Katarina Blomkvist, Uppsala University
 Philip Kappen, Uppsala University
 Ivo Zander, Uppsala University

This paper investigates the evolution of technology in the multinational corporation (MNC), specifically how activities in foreign locations contribute to the entry into technologies that are new to the entire multinational group. It makes a specific distinction between the contribution of greenfield and acquired units, controlling for a set of characteristics of the internal and external environment of the MNC. Repeated events analysis of the complete patenting activity in 173 foreign locations of 21 Swedish multinationals over the 1893-1990 period reveals a substantially higher likelihood of entry into new technologies among the acquired units. Implications for strategy and management of the MNC are discussed. *(For more information, please contact: Philip Kappen, Uppsala University, Sweden: philip.kappen@fek.uu.se)*

Does Excellence in Academic Research Attract Foreign R&D?
 Rene Belderbos, Katholieke Universiteit Leuven
 Bart Leten, Katholieke Universiteit Leuven
 Shinya Suzuki, Katholieke Universiteit Leuven

We examine the role of nations' academic research strength in attracting R&D by foreign multinational firms. We analyze foreign R&D activities, as measured by the country of origin of patents, in 40 host countries and 30 technology fields by 186 of the world's top R&D spending firms in the chemicals, pharmaceuticals, engineering, IT hardware and electronics industries during 1995-2002. We measure the strength of academic research of host countries by counting the number of ISI publications of resident authors in different science fields. We find

that the propensity to perform R&D in these host countries is significantly influenced by host country academic strength, after controlling for a broad set of other host country characteristics expected to attract or discourage inward R&D. Firms with a stronger science orientation in their R&D activities and absorptive capacity to utilize scientific knowledge, as measured by the occurrence of non-patent references in their patent portfolios, respond significantly stronger to host country academic research strengths. *(For more information, please contact: Rene Belderbos, Katholieke Universiteit Leuven, Belgium: rene.belderbos@econ.kuleuven.be)*

The Determinants of Home-base-augmenting and Home-base-exploiting Technological Activities: Some New Results on Multinationals' Locational Strategies

Christian Le Bas, Institut des Sciences de l'Homme
Parimal Patel, Institut des Sciences de l'Homme

The aim of this paper is to highlight the factors that explain the choice faced by MNCs between the two main location strategies identified in the literature on internationalization of R&D and related technological activities: home-base-exploiting strategy and home-base-augmenting strategy. We do this using a large database on the patenting activities of MNCs across a range of different countries. According to our findings, based on logit models, the factors increasing the probability of choosing the home-base-augmenting strategy are: the volume of technological activity (although this effect is very weak), the degree of technological specialization (the opposite of technological diversification) and the nationality of the firm. The estimates show that there is no significant effect of the current level of technological internationalization. *(For more information, please contact: Christian Le Bas, Institut des Sciences de l'Homme, France: christian.lebas@univ-lyon2.fr)*

Session: 3.3.7 - Competitive

Track: Track: 7 - FDI, Location, Firm-Location Interaction

FDI and Institutions

Presented On: July 3, 2008 - 12:05-13:20

Chair: Sjoerd Beugelsdijk, Nijmegen School of Management

Types of Institutional Hazards and the Location of Market-Seeking and Efficiency-Seeking Affiliates: A Contingency Perspective

Arjen Slangen, RSM Erasmus University
Sjoerd Beugelsdijk, Nijmegen School of Management

It is generally accepted in the international business and strategy literatures that multinational enterprises (MNEs) are more reluctant to locate value-adding activities in host countries that pose larger institutional hazards. In this paper we extend these literatures by developing a contingency framework to argue that 'formal' institutional hazards (i.e., governance hazards) and 'informal' institutional hazards (i.e., cultural ones) affect the location of different types of value-adding activities in different ways. Specifically, we argue that governance deficiencies affect the location of vertical (i.e., efficiency-seeking) affiliates more strongly, whereas cultural distance affects the location of horizontal (i.e., market-seeking) affiliates more strongly. Furthermore, we expect that both governance deficiencies and cultural distance are stronger determinants of the location of vertical affiliates that serve their parents than of the location of vertical affiliates that serve fellow affiliates. An analysis of the aggregate amount of US operational activity in 36 foreign countries over the period 1996-2004 lends support to most of these expectations. *(For more information, please contact: Arjen Slangen, RSM Erasmus University, Netherlands: aslangen@rsm.nl)*

Beyond Duality: An Institutional Multiplicity Perspective on the Adoption of a Foreign Group Subsidiary by MNCs in an Emerging Economy

Xufei Ma, Chinese University of Hong Kong

Drawing on institutional theory and using the context of MNCs, this study developed a new framework to explore the multiple institutional pressures faced by MNC subsidiaries in their decision to adopt a foreign group subsidiary in an emerging economy. We distinguished between coercive and mimetic isomorphism mechanisms and discriminated between the origins of imitation pressures. The study highlighted the coercive isomorphic pressures from local government inducement, the mimetic isomorphic influences from global peers, and most important of all, the critical roles of an MNC's local business group partners in the interorganizational imitation process. It points to the importance of these key institutional isomorphic influences on the adoption of an organizational practice by MNCs operating in emerging economies, which is not only interesting from an academic perspective, but also has important practitioner implications. *(For more information, please contact: Xufei Ma, Chinese University of Hong Kong, Hong Kong: xufei@cuhk.edu.hk)*

FDI Partner Identification using IGOs

Debbie Elizabeth de Lange, University of Toronto

In recent times, foreign direct investment has been generally viewed as beneficial for national economic development. Consequently, governments of host and investor countries bargain so as to make FDI a successful experience for investor firms. However, prior to this bargaining, lower income host countries must find interested partners. A mechanism proposed for partner identification, in this paper, is facilitation by IGOs. From an embeddedness view, IGO connectedness is beneficial for building weak ties between poorer and wealthier countries. Through these ties, opportunities arise for wealthier host countries to gain familiarity with and interest in the lower income countries as investment partners. *(For more information, please contact: Debbie de Lange, University of Toronto, Canada: deborah.delange03@rotman.utoronto.ca)*

When in Rome? Examining the Institutional Determinants of Agglomeration for Foreign Entrants

Xavier Martin, Tilburg University

Robert Salomon, New York University

Zheyang Wu, University of Southern California

Although scholars from various disciplines have examined the antecedents to foreign direct investment (FDI) location choice, we understand less than we should about how the institutional environment of both the host and home country impact those decisions. To fill that gap, this paper examines institutional factors impact the agglomeration patterns of foreign entrants. We theorize that institutional contexts characterized by collectivist cultures, as well as economic and political uncertainty, encourage foreign entrants to locate within existing geographic agglomerations. To test our hypotheses, we empirically examine the location patterns of 181 foreign plant investments made by 61 parent firms across 22 countries in the global semiconductor industry. The findings reveal that foreign entrants are more likely to agglomerate in host countries characterized by collectivist cultures and by political and economic uncertainty. Home country characteristics had very little impact on the agglomeration decision of the foreign entrants. These results enrich traditional literature on FDI location choice by suggesting that the decision to agglomerate is context-dependent. Moreover, when choosing a location within a given country, foreign entrants are more likely to adapt to characteristics of the host country. *(For more information, please contact: Xavier Martin, Tilburg University, Netherlands: xmartin@uvt.nl)*

Session: 3.3.8 - Competitive

Track: Track: 2 - Economics, Finance, Accounting, Taxation

International Finance Miscellaneous

Presented On: July 3, 2008 - 12:05-13:20

Chair: Ursula F. Ott, Loughborough University

Attributes, Neighborhood and Time Effects on Residential Property Prices in São Paulo, Brazil: A Multilevel Approach

Luiz Paulo Lopes Fávero, University of São Paulo

Patricia Belfiore Fávero, Industrial Engineering University Center

Literature on hedonic prices has not reached a consensus about how the characteristics of the properties and their respective locations influence prices and their evolution over time. Under the initial hypotheses of variations in the prices of properties being launched and not traded in recent years, and that these alterations occur in function of each property's characteristics and differences among districts, this study proposes, through hierarchical modeling with repeated measures, an approach to analyze the random effects as an alternative to assess the evolution in the logarithm of residential property prices in São Paulo. Using a sample of 2500 properties from 50 districts in a five-year period (2002-2006), totaling 7743 observations, multilevel representativeness is found for the effects of the properties' and districts' characteristics, considering the differentiation of mean prices and these prices' evolution rates over the years. *(For more information, please contact: Luiz Paulo Lopes Fávero, University of São Paulo, Brazil: lpfaver@usp.br)*

A Game Theoretical Analysis of International Negotiations from the Perspective of Linear-Active Bargainers

Ursula F. Ott, Loughborough University

This paper is part of a series of three papers dealing with the analysis of bargaining behavior in international negotiations. It is a new theoretical model which combines game theory and cognitive cultural behavior. Thus, It is based on the framework of activity-based bargaining types called linear-active (time-is-money approach), multi-active (negotiation-is-an-art approach) and reactive (building-up-trust approach) categories of culture. The complexities of international negotiations can be analyzed by using an activity-based approach with game theoretic bargaining models. The article is structured into the literature review, the description of activity-based bargaining types, the game trees (time lines) and the models of uncertainty. In terms of solution concepts we are dealing with Bayesian Nash Equilibrium (BNE) and with Perfect Bayesian Equilibria (PBE). The results of the games show the equilibrium types and a possibility to circumvent problems in international business negotiations which are related to different time perceptions and strategic behavior in this respect. It is therefore important to anticipate the deadlocks, stalemates and even break-ups when bargaining with culturally programmed types. Overall, We are, now, able to show that international negotiations are prone to fail due to incompatibilities and lack of knowledge of different cultural bargaining strategies *(For more information, please contact: Ursula F. Ott, Loughborough University, United Kingdom: U.F.Ott@lboro.ac.uk)*

What is the Role of Bookbuilding in Bond Allocation? Evidence from an Emerging Country

Richard Saito, Getúlio Vargas Foundation (EAESP/FGV)

Julio Tsukazan, Finenge

This study examines two different aspects of bookbuilding process of issuing corporate bond on an emerging market. Specifically: (a) underwriter's discretionary power and (b) bidder's efficiency. Using a unique sample of 40 bookbuilding processes for Brazilian corporate bonds of non-financial companies between January 2001

and July 2006, we document that there is no empirical evidence that the underwriter uses his discretionary power, as other studies of equity offerings have confirmed. Bidder and issuer's characteristics seem to impact investors' efficiency on competitive auctions. For instance, we find empirical evidence that step bids reduce bidder's likelihood of success, contrary to early studies that argue that multiple bids are optimal. Mutual funds present superior performance on bidding strategy among bidders. If the bidder were a mutual fund, its chance of success would increase 60%. This advantage is related to particular features of the Brazilian corporate bond market that allowed mutual fund to develop an expertise on the bookbuilding process. They are responsible for around 75% of demand for corporate bonds and participate frequently in bookbuilding processes. Furthermore, the total number of bidders that participate in bookbuilding process is small and all of them are domestic. Besides, there is no restriction to international investors. *(For more information, please contact: Richard Saito, Getúlio Vargas Foundation (EAESP/FGV), Brazil: rsaito@fgvsp.br)*

Session: 3.3.9 - Competitive

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

Perspectives on Performance

Presented On: July 3, 2008 - 12:05-13:20

Chair: Yanli Zhang, Montclair State University

Unraveling the Diversity-Performance Link in Multicultural Teams: Meta-analysis of Studies on the Impact of Cultural Diversity in Teams

Guenther Stahl, INSEAD

Martha L. Maznevski, IMD

Andreas Voigt, University of California, Irvine

Karsten Jonsen, IMD

This study synthesizes our current knowledge about the effect of cultural diversity on teams, and outlines possible avenues for future research. Previous research is equivocal, and suggests that cultural diversity's effect on teams is mediated by team processes, and moderated by contextual variables. To reconcile conflicting perspectives and past results, we hypothesize that cultural diversity affects teams through process losses and gains associated with increased divergence and decreased convergence. We also propose effects of specific moderators in the discrete context. We test the hypotheses with a meta-analysis of 108 empirical studies on processes and performance in 10632 teams. Results show that cultural diversity leads to process losses through task conflict and decreased social integration, but to process gains through increased creativity and satisfaction. Moderator analyses reveal that the effects of cultural diversity vary depending on contextual influences, such as task complexity, team size, team tenure and team dispersion, as well as on research design characteristics. *(For more information, please contact: Karsten Jonsen, IMD, Switzerland: karsten.jonsen@imd.ch)*

Culture and Intellectual Capital Alignment Predicts Performance: Insights from National Models

Carol Yeh-Yun Lin, National Chengchi University

David Whetten, Brigham Young University

Since the 1980s, organizational culture has emerged as an important stream of management research. Although its main effect on organizational performance has been reported, some scholars found that an organization's culture may be less relevant to organizational performance than is generally believed. Therefore, exploring an intermediate variable between culture and organizational performance may help understand the relationship better. We have chosen to focus on intellectual capital (IC) as the intermediate variable, mainly because IC has recently been recognized as the key to lasting competitiveness in today's knowledge economy. This study investigates the effect of culture and intellectual capital alignment (C-IC fit) on organizational and national

performance. We first describe C-IC fit models at both organizational and national levels; then we graphically compare the C-IC fit of eight countries. Afterwards, we calculate the Euclidean distance to obtain the degree of C-IC fit for 30 countries. Furthermore, we employ a t-test to confirm statistically that a better C-IC fit significantly explains GDP per capita at the national level. Finally, we relate the confirmed C-IC relationship at the national level to the organizational level with five propositions for future data testing. *(For more information, please contact: Carol Yeh-Yun Lin, National Chengchi University, Taiwan, R.O.C.: yehyunln@nccu.edu.tw)*

Identifying Behavioural Correlates and Predictors of False Performance in Botswana
Gbolahan Gbadamosi, University of Worcester

The study examines the relationship among organisational commitment, trust in management, core self-evaluations, job performance, job characteristics and charlatan behaviour. This survey utilised standardised and structured measures to obtain data from an African sample. About 2500 questionnaires were administered with usable data collected from 1367 respondents in 6 cities and towns in Botswana.

Much as the results showed significant cross-correlation among the variables of the study. The main construct of our interest – charlatan behaviour – was significantly correlated only with continuance commitment and self-rated job performance. Significant but inverse correlation was found only between continuance commitment and core self-evaluations, with all other variables being positively correlated with each other. Similarly, continuance and affective commitment and job performance emerged the only significant predictors of charlatan behaviour.

Managerial implications include the need for HR practitioners to give higher consideration to predictors of charlatan behaviour and put in place parameters for the identification of individuals with calculative deception, deceptive appearance and desperate self-preservation among others. The study's limitations were highlighted with directions for future research articulated.

(For more information, please contact: Gbolahan Gbadamosi, University of Worcester, United Kingdom: g.gbadamosi@worc.ac.uk)

Testing the "Culture-Free" Theory of Performance Contingency Leadership in Taiwan: A Level Perspective
T.K. Peng, I-Shou University
Timothy C. C. Lin, National Pingtung University of Science and Technology

Performance contingency theory of leadership has yielded one of the most coherent results in leadership research. However, this line of research has primarily taken a single level (i.e., individual) level analysis. The present study is an attempt to fill the gap by exploring the theory from a level perspective. Specifically, this study treats group cohesiveness as a contextual moderator and employs (1) individual level analysis, (2) contextual analysis, and (3) cross-level analysis. With data from 741 respondents representing 52 work groups, we found support for the generally positive relationship between contingent rewards and outcome in individual level analysis as well as the negative relationship between noncontingent punishments and individual outcome in contextual and cross-level analyses, despite some moderating effects. The results in general support the "culture-free" status of the theory. Methodological implications in understanding leadership phenomena in international contexts are addressed. *(For more information, please contact: T.K. Peng, I-Shou University, Taiwan, R.O.C.: tkpeng@isu.edu.tw)*

Session: 3.3.10 - Panel

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

Managing People in Emerging Countries: A Roundtable Presentation on the Challenges of Identifying and Using Networks in Russia, Hungary, Argentina and India

Presented On: July 3, 2008 - 12:05-13:20

Chair: Allen Douglas Engle, Eastern Kentucky University

Discussant: Peter J Dowling, Victoria University of Wellington

Heritage: Practices and Roles of Human Resource Executives in Large Multinational Firms in Hungary, 1988-2005

Jozsef Poor, University of Pecs

Janus: An Initial View of the Formal and Informal Faces of Argentine Human Resource Management

Allen Douglas Engle, Eastern Kentucky University

Leadership Behavior of Western European Expatriates in Moscow: Transfer of Western Leadership Styles or Adaptation to the Russian Context?

Marion Festing, ESCP-EAP European School of Management

International Joint Ventures as a Networking Tool in Exchanging Skill Sets in Culturally Different Societies: An Examination of Indo-Australian Joint Ventures

Sharif As-Saber, Monash University

Globalization has created real and imagined constraints on states' capacity to regulate and intermediate in markets. In places where new markets are being created, these constraints are often compounded by the existence of historically weak state institutions. The literature on 'institutional voids' in economics and business strategy argues that weak state institutions combined with the absence of market-supporting intermediaries in today's emerging markets impede market processes and requires the creation of analogues. This argument suggests that firms investing in these markets need to either work around 'voids' or try to fill them through private initiatives; more fundamentally, it argues that existing Western -style institutional arrangements are requisite in these emerging markets. The papers in this panel critically evaluate this conception of institutional voids and its assumption that emerging markets require the same array of institutions that allow markets to function in advanced economies. Our research looks closely at the role of private and public actors in market intermediation during periods of market construction. We focus on non-state actors, but also non-market actors, and we pay attention to the increasingly 'transnational' platforms for many of these intermediaries. We compare and contrast ways that different private and public actors come together in unique ways to intermediate in markets, vis-à-vis traditional conceptions of markets as state-led or characterized by private regulation and spontaneous market intermediation. Collectively, the research we present points to a range of institutional arrays allowing new and contested markets to function.

Session: 3.3.11 - Competitive

Track: Track: 10 - Outsourcing, Offshoring, Supply Chain

Offshoring Performance

Presented On: July 3, 2008 - 12:05-13:20

Chair: Susan Mudambi, Temple University

Offshoring Propensity in Information Technology: The Interaction of Firm Imitative Behavior and Host Country Capacity

Naveen Kumar Jain, Florida International University

Sumit K. Kundu, Florida International University

Fred A Niederman, Saint Louis University

This paper examines the dynamics of the offshoring of information technology (IT) service work. It considers this important emerging phenomenon from multiple lenses, especially those of international business theories. Research propositions are developed based on the perspectives of corporate and government strategy and the dynamic interactions between firm and state. Additional questions not addressed by received theories are suggested as questions for future research. *(For more information, please contact: Naveen Kumar Jain, Florida International University, United States: njain001@fiu.edu)*

Implications of Service Outsourcing on Firm Value

Ruby P. Lee, Florida State University

Daekwan Kim, Florida State University

Outsourcing is one of important strategies acknowledged by firms recently. With an increase in globalization and the proliferation of information technology, more and more firms outsource not only their production but also their service processes including back office business processes and information technology functions to external vendors. Recognizing the criticality of outsourcing service processes in marketing management, the authors build on the strategy literatures and integrate them with the finance literature on market efficiency to develop a conceptual framework. The authors collect outsourcing announcements from the Wall Street Journal and business news available at Lexis-Nexus between 1995 and 2005. Results indicate that outsourcing in general creates positive firm value, i.e., cumulative abnormal returns; however, such effects vary depending upon different levels and types of strategic responses. The authors conclude with managerial and theoretical implications and future research at the end. *(For more information, please contact: Daekwan Kim, Florida State University, United States: dkim@cob.fsu.edu)*

Success Factors in Offshoring Business Processes: A Multi Level Analysis

Thomas Hutzschenreuter, WHU-Otto Beisheim School of Management

Arie Y. Lewin, Duke University

Stephan Dresel, WHU-Otto Beisheim School of Management

This paper contributes to the emerging debate about offshoring of support functions in international business research. Based on the insights on international expansions, we analyze the success of offshoring activities and focus on the time which a company takes to achieve its expected cost savings as well as its targeted service level. We hypothesize that firm-specific experience, publicly available offshoring knowledge, path dependencies, cultural distances, as well as the chosen governance mode influence the success of offshoring activities. An analysis of detailed data about 606 offshoring implementations of US, German, British and Dutch firms confirms

the anticipated relationships and provides further crucial insights. *(For more information, please contact: Thomas Hutzschenreuter, WHU Otto Beisheim School of Management, Germany: th@whu.edu)*

Testing the Effectiveness of Performance Management Tools in Raising Quality Consciousness Among Chinese Manufacturing Personnel

Carmencita Cheung, City University of Hong Kong
Shirley June Daniel, University of Hawaii at Manoa
Dongyoung Lee, University of Hawaii at Manoa
Wolf D. Reitsperger, University of Hawaii at Manoa

The issue of quality control in Chinese manufacturing operations has come under increased scrutiny. This study examines the implementation of quality strategies through management control and reward systems in 38 Hong Kong-owned manufacturing firms operating in the Pearl River Delta. The study applies causal modeling methodology and incorporates the effects of company size on the management control systems utilized to support a strategic focus on quality. The results indicate that for larger firms, significant linkages were found between reward systems based on quality outcomes and quality feedback. In turn, quality feedback was significantly linked to both quality goals and a strategic focus on quality. However, for smaller firms, while significant relationships exist between reward systems based on quality outcomes and the provision of quality goals and feedback, no significant linkages were found between the implementation of management control systems and a strategic focus on quality. *(For more information, please contact: Shirley June Daniel, University of Hawaii at Manoa/Pacific Asian Management Institute, United States: sdaniel@hawaii.edu)*

Session: 3.3.12 - Competitive

Track: Track: 5 - Structure, Capabilities, and Planning

The Nature and Sources of Organizational Capability within the MNC

Presented On: July 3, 2008 - 12:05-13:20

Chair: Martine Haas, University of Pennsylvania

On the Discursive Construction of 'Organizational Competence' in Multinational Companies

Alexei Koveshnikov, HANKEN
Mats Ehrnrooth, HANKEN
Eero Vaara, HANKEN

Organizational competences play a major role in theories such as the Resource Based View. In this paper, we argue that essentialist and rationalistic perspectives have dominated the literature, and that there is a lack of understanding of how 'competencies' are made sense of and socially constructed. In particular, there is a paucity of knowledge of the socio-political aspects of these processes, that is, how the sensemaking processes are related to various kinds of social struggles in contexts such as the MNC. To partially bridge this gap, we adopt a discursive perspective in this paper. This approach allows us to focus on the micro-level discursive processes and struggles that easily pass unnoticed with more traditional approaches. Based on an extensive data of two Finland-based MNCs developing new operations in emerging markets in Russia and China, we examine the key decision-makers' sensemaking processes around specific competencies. In our analysis, we identify three different discourses and related struggles. We first focus on how competencies are linked with the 'strategy discourse' of these corporations. We then examine how competencies are linked with control-autonomy dialectics in the MNCs. Finally, and most importantly, we show that people's views on competencies are linked with national identity and nationalism, emphasizing specific stereotypes and interests. *(For more information, please contact: Alexei Koveshnikov, HANKEN, Finland: alexei.koveshnikov@hanken.fi)*

Dynamic Capabilities: Cognition, Strategic Network and Fit-preserving Change

Zhi Wang, Manchester Metropolitan University
 Stuart Horsburgh, Manchester Metropolitan University

Drawing from both cognitive and capability literature this paper integrates the two streams of research by proposing three sets of distinct behaviours; dynamic response; revision possibilities; and fit-preserving change in understanding dynamic capabilities from cognitive science perspective. We examine the predictive power of the three arguments, using extensive longitudinal data from a single industry context characterized by the timing, form, sequence, and magnitude of firms' behavioural orientations in respect to environmental turbulence. Our investigation validates the propositions by showing that firms have uniformly distributed capabilities in seizing opportunities, asymmetries in resource endowments, and especially in the capabilities that are further required for adjustments in productive activities whilst markets undergoing rapid change. Results show that these behaviours significantly mark differences in firm performance. Results also indicate that dynamic capabilities embedded in firms' routines though not subject to observation can be inferred from firms' actions that are amenable to measurement. *(For more information, please contact: zhi.wang, Manchester Metropolitan University Business School, United Kingdom: zhi.wang@mmu.ac.uk)*

Performance Implications from Technological Agility and Business Processes: The Case of the Brazilian Automotive Industry

Ronaldo C. Parente, Rutgers University
 Denise Dunlap-Hinkler, Northeastern University
 Jing Quan, Salisbury University
 Penelope Sue Greenberg, Widener University

In today's rapidly changing business environment firms must be able to react quickly to rapidly changing technologies. In this paper we introduce technological agility as a new dimension to the traditional three dimensions of organizational agility (customer agility, partner agility and operational agility). We examine technology agility's antecedent impact on traditional organizational agilities (customer, partner, and operational) and its impact to firm performance (financial and market) as it is mediated by three business processes (speed to market, product quality, and production efficiency). Our conceptual framework bridges dynamic capabilities with process-based view of the organization. Using survey data from the automotive industry in Brazil, we found a direct link between technology agility and key organizational agilities. In addition, the results support the mediating role of business processes between organizational agilities and firm performance. Managerial implications are discussed. *(For more information, please contact: Ronaldo C Parente, Rutgers University, United States: ronaldo@parente.com)*

Design Orientation: A Definition, Measure, and Propositional Model

K. Scott Swan, College of William & Mary
 Charles H. Noble, University of Mississippi

We suggest that past strategic orientation work has not captured the essence of companies such as Apple, Bang & Olufsen, or Dyson. As an alternative, we explore the value of Design Orientation and develop a measure of Design Orientation along with testing its validity and reliability in the context of other strategic orientations. First, depth interviews were conducted with 25 mid- to high-level international managers in positions ranging from pure industrial designers to marketing executives – most with joint responsibilities. Second, thirty eight items were generated from a review of the literature and field research, and were reviewed by 12 international design experts. Third, a survey was sent online to 380 members of the Design Management Institute representing many top international companies. A CFA assessment of the six proposed dimensions of Design Orientation showed all significantly related ($p < .001$) to the overarching construct. Importantly, a higher order measurement model and test of discriminant validity (Fornell and Larcker 1991) showed that the

measure of design orientation was distinct from potentially similar constructs of market orientation, innovation orientation, operations / cost focus, and competitor orientation. Additionally, we present a propositional model (see Figure 1) that emerges out of field research. *(For more information, please contact: K. Scott Swan, College of William & Mary, United States: scott.swan@mason.wm.edu)*

Session: 3.3.13 - Competitive

Track: Track: 2 - Economics, Finance, Accounting, Taxation

M&A and International Diversification

Presented On: July 3, 2008 - 12:05-13:20

Chair: Anju Seth, University of Illinois at Urbana-Champaign and Virginia Tech

International Acquisitions and Managerial Ownership: Evidence from the Market Valuation of Acquiring Firms

Jongmoo Jay Choi, Temple University

Eric C. Tsai, State University of New York at Oswego

This paper provides evidence concerning the U.S. firms engaged in international acquisitions and argues that the market valuation of international acquisitions is related to corporate governance characteristics of acquiring firms such as managerial ownership. In contrast to existing studies, market reactions to international acquisitions are generally favorable. Cross section estimations of cumulative market returns indicate little evidence in support of internalization theory. However, the effect of managerial equity ownership is highly significant and positive. These results are consistent with the notion that equity ownership sensitizes the management toward undertaking value-enhancing international acquisitions, countering agency costs arising from the complexity of international operations. *(For more information, please contact: Eric C. Tsai, State University of New York at Oswego, United States: tsai@oswego.edu)*

Riding the Waves: Cross-Border Acquisitions as a Quest for New Capabilities

Protiti Dastidar, George Washington University

Alexander Sleptsov, Tulane University

We argue that the cross-border acquisition activity is characterized by a cyclical pattern similar to the domestic merger waves. We consider several factors that can influence the cross-border merger waves, including the changes in the firms' resource requirements following economic or regulatory shocks. The results of the tests on a large-scale archival dataset suggest that the motivations for cross-border and domestic waves may be different. In the cross-border waves, many acquirers are motivated by the search for new capabilities abroad; in the domestic waves, more acquirers are motivated by the desire to redeploy their existing capabilities. *(For more information, please contact: Protiti Dastidar, George Washington University, United States: dastidar@gwu.edu)*

Motives for Domestic and Cross-border Acquisitions: A Comparative Analysis

Anju Seth, University of Illinois at Urbana-Champaign and Virginia Tech

Protiti Dastidar, George Washington University

Studies examining value creation in cross-border acquisitions are few, and there are none that compare value creation of domestic vs. cross-border acquisitions. Institutional differences (at both the firm and industry level) may, in addition to economic factors, cause systematic differences in the value created by cross border vs. domestic acquisitions, thus affecting a firm's international competitiveness. We seek to empirically investigate the characteristic features that distinguish cross-border acquisitions from U.S. domestic acquisitions and the

motives that underlie these acquisitions. Our empirical results indicate that cross-border acquisitions are primarily driven by synergy. While synergy plays an important role in US domestic acquisitions, it does not appear to be the dominant driver of these transactions. We also find evidence of hubris and managerialism in US domestic acquisitions and foreign acquisitions of US targets. Although hubris exists in cross-border acquisitions by US firms, these transactions cannot be characterized by managerialism. *(For more information, please contact: Anju Seth, University of Illinois at Urbana-Champaign, United States: anjuseth@uiuc.edu)*

International Diversification and the Home Bias Puzzle: The Role of Multinational Companies (MNCs)

Jenny Berrill, Trinity College Dublin
Colm Kearney, Trinity College Dublin

By investing in internationalised firms that are listed on the exchanges in their home countries, investors can reap the benefits of diversification without directly incurring the costs and risks associated with internationalisation at the level of the firm. The observed 'home bias' phenomenon can thus be consistent with optimal international diversification. To demonstrate this, we construct a multi-country, firm-level sample of 1,289 firms from 7 countries, we classify their internationality from the geographical spread of their sales and subsidiaries, and we measure their performance using daily firm-level and market-level data from January 1999 to June 2007. Applying mean variance spanning and Sharpe ratio tests to determine and measure the statistical and economic significance of the diversification benefits of investing in MNCs, we show that there are benefits to both domestic and international diversification and that the types of firm that provide these benefits varies between countries. When we combine across all countries, we get strong and robust results that MNCs with global sales and subsidiaries provide the largest benefits to diversification. Overall, our work contributes to understanding the dimensions of, and resolving the 'home bias' puzzle. *(For more information, please contact: Jenny Berrill, IIS, Trinity College Dublin, Ireland: berrillj@tcd.ie)*

Session: 3.3.14 - Competitive

Track: Track: 3 - Alliances and Inter-Firm Relationships

Alliance Roles and Effects

Presented On: July 3, 2008 - 12:05-13:20

Chair: Hans Van Kranenburg, Nijmegen School of Management

The Impact of the Societal Culture of the Host Country on the Organizational Culture of IJVs: the Case of Turkey

Tulay Ilhan, Karadeniz Technical University

This paper examines the impact of the societal culture of the host country on the organizational culture of international joint ventures (IJVs) at both value and practice levels through a meso approach. The relationship between the societal and organizational culture in IJVs is tested through multivariate regression analyses in which the organizational culture of headquarter and a series of the moderating variables are taken into account. Data are drawn from the IJVs operating in Turkey and their headquarters. The results suggest that the main element effective on the organizational values of the IJVs can also be indicated as the societal culture of the host country. However, the differentiation of organizational practices of the IJVs are explained in light of the following moderating factors rather than societal culture of the host country; the resource dependency on the foreign partner and the training provided by the foreign partner. *(For more information, please contact: Tulay Ilhan, Karadeniz Technical University, Turkey: tulayilhan@yahoo.com)*

Global Village vs. Small Town: Understanding Networks at the Base of the Pyramid

Miguel Rivera-Santos, Babson College

Carlos Rufin, Suffolk University

We compare and contrast business networks at the Base of the Pyramid (BOP) and at the Top of the Pyramid (TOP). Drawing on different theoretical approaches, we identify the specificities of BOP environments in terms of institutions, competitive dynamics, and products/services offered. Building on this analysis, we develop a series of propositions regarding the structural characteristics of BOP networks, their boundaries, the characteristics of their ties, the diversity of their partners, and their evolution over time, as compared to TOP networks. Our analysis suggests major differences between both types of networks along all dimensions. *(For more information, please contact: Miguel Rivera-Santos, Babson College, United States: mrivera@babson.edu)*

The Role of Strategic Alliances in the E-Business Transformation of MNE Subsidiaries: Evidence from Taiwan Market

Ching-Sung Wu, National Taiwan University

Chun Liang Chen, National Taiwan University

In this paper, we compare two MNE subsidiaries (HP and IBM) in Taiwan to analyze their e-service alliance strategies and the difference between the parents and the subsidiaries. The paper try to demonstrates how parent and subsidiary can both adopt and apply a major strategic business development approach, i.e. alliances, and yet employ that strategic approach to very different ends. And we argued that alliance can be classified into three distinct types for MNE subsidiaries in a NIC market: TYPE A: Market Seeking, TYPE B: FSA Enhancement and TYPE C: Substitute. The MNE subsidiaries form these alliances for different purpose. We then use the typology developed by Xie and Johnston (2004) to distinguish among alliances and to explicate alliance motivations and performance on impact of e-business transformation. *(For more information, please contact: Chun Liang Chen, National Taiwan University, Taiwan, R.O.C.: jun@moeasmea.gov.tw)*

The Substitute Moderator Effect of Industrial Network Identity in the International Joint Venture Commitment and Cooperation Relationship

Serdar S. Durmusoglu, University of Dayton

This paper investigates the role of industrial network identity in the relationship between commitment and cooperation in international joint ventures (IJVs). Understanding the role network identity plays in IJVs would improve the longevity of the IJVs and help ensure that the IJVs are operating at highly efficient levels from the onset of their formation. In our conceptual model, we propose that when there is no IJV commitment, the existence of industrial network identity of partners can enhance cooperation. In that sense, we hypothesize a substitution moderating effect of network identity in the relationship between IJV commitment and cooperation. Our research has important implications for partner selection in IJVs. If firms partner with firms that have high network identity, then they do not have to expect opportunistic behaviors and can cooperate more willingly, thereby reaping the desired benefits sooner. *(For more information, please contact: Serdar S. Durmusoglu, University of Dayton, United States: durmuser@udayton.edu)*

Session: 3.3.15 - Panel

Track: Track: 1 - The Context of Global Business

Public and Private Intermediaries in the Making of Markets

Presented On: July 3, 2008 - 12:05-13:20

Chair: Dana Brown, Oxford University

Problems of institutional intermediation and commensuration in contested markets: Carbon market initiatives in transnational perspective

Dana Brown, Oxford University

Standards versus Sovereignty: The Structure of Labour Regulation in Global Supply Chains

Matthew Amengual, MIT

Institutional Context and the Development of the Commercial Microfinance Industry

Joshua K Ault, University of South Carolina

Virtue out of Necessity: Compliance vs Commitment Approaches to Improving Working Conditions in Global Supply Chains

Richard Locke, MIT

Session: 3.4.P - Plenary

Closing Plenary: Internationalization of Banking

Presented On: July 3, 2008 - 14:20-15:35

Chair: Markus Venzin, Università Bocconi

Panelists:

Roberto Nicastrò, Deputy CEO, UniCredit Group

Robert E. Grosse, Director, Global Leadership Center, Standard Bank

Giovanni Boccolini, Head of International Division, Intesa Sanpaolo

Ram Mudambi, Temple University

Session: 3.4.1 - Interactive

Track: Track: 2 - Economics, Finance, Accounting, Taxation

International Trade and Labor

Presented On: July 3, 2008 - 14:20-15:35

Chair: Seev Hirsch, Tel Aviv University

Effect of NAFTA on Multinational Company Performance

Sergiy Rakhmayil, Ryerson University

Ayse Yuce, Ryerson University

This paper examines the long-term affect of NAFTA on company performances in Canada, Mexico, and the U.S.A . Our main focus is to study the impact of the liberalization process on various aspects of performance, including profitability, operating efficiency, investment, output, employment, leverage, and firm valuation. We discover that output, profitability and efficiency increased in all three countries, and other effects are country-specific. Overall, we find that NAFTA affected companies in the three countries positively and their profitability and efficiency increased which led to value increases. *(For more information, please contact: Ayse Yuce, Ryerson University, Canada: ayuce@ryerson.ca)*

Composition of Trade between Australia and Latin America: Gravity Model

María Victoria Cortes Rodriguez, Universidad del Valle- Cali- Colombia

This paper aims to analyse the value of merchandise through a broad category of trade between Australia and nine selected Latin American countries by using a gravity model focusing on the period from 1998 to 2004. The traditional cross-sectional data is a useful tool to understand this bilateral trade focusing on exports and imports through primary products, manufactured products, and total merchandise trade. The general thrust of the analysis regarding trade composition implies that Australian trade with Latin America has been shaped by political and economic variables. The trade of primary products is explained by economic distance, openness, population, and political influence. Economic mass along with economic distance are significant explanatory variables in the trade of manufactured products. Political influence on bilateral trade has been significant in most Latin American countries – captured by a dummy for presidential changes – exceptions are: Argentina, Chile, and Uruguay. *(For more information, please contact: Maria Victoria Cortes Rodriguez, Universidad del Valle- Cali- Colombia, Colombia: mvcortes@univalle.edu.co)*

Examining Patterns of Bilateral Trade between Australia and Colombia Using Cointegration Analysis and Error Correction Model

María Victoria Cortes Rodriguez, Universidad del Valle- Cali- Colombia

The main objective of this paper is to understand whether there is a long-term relationship between Australia and Colombia's imports using macroeconomic fundamentals such as the real exchange rate, income, population and openness. We use the multivariate cointegration techniques and error correction models and time-series data (1960-2005). We focus on testing for cointegration in the presence of structural breaks. The findings suggest that the value of Australian imports from Colombia is cointegrated with three economic series: income of both participating countries and the Colombian population. The real value of Colombian imports from Australia is cointegrated with the real bilateral exchange rate and total Colombian world imports. The relationship between the value of bilateral imports and the cointegrated series can be seen as long run bilateral import elasticities. High coefficients of the cointegrated variables are an indication that opportunities exist for

improve long term trade relationship between the two countries. *(For more information, please contact: Maria Victoria Cortes Rodriguez, Universidad del Valle- Cali- Colombia, Colombia: mvcortes@univalle.edu.co)*

Globalisation and Role of State in International Trade: Indian Experience with respect to Anti-Dumping

Krishnan Narayanan, Indian Institute of Technology Bombay, India
Lalithambal Natarajan, R.K. Tukreja College, Mumbai

This paper examines the use of the provisions of anti-dumping [AD] by India against other countries and the pattern of such actions by others on Indian exports. The analysis points out that India has emerged as one of the biggest players in using anti-dumping actions, and most of it, unlike the expectations, is targeted against other developing countries. Much of these actions have been in those industries where there exists monopoly and high concentration. In contrast, developed countries have raised the maximum objection to Indian exports under the dumping route, and most of it is in industries that have great export potential for India. Though both the big and the small firms face the foreign competition, the big firms resort to anti dumping action to fight imports. The anti dumping actions tend to protect inefficient firms. Continuous use of anti dumping action may adversely affect the small scale and export industries by raising the cost. There is a strong need for the inclusion of public interest clause to prevent the misuse of anti dumping legislation. The analysis identifies a clear strategic role for the Government in shaping the pattern and rate of growth of foreign trade from the Indian perspective.

(For more information, please contact: Krishnan Narayanan, Indian Institute of Technology Bombay, INDIA, India: knn@hss.iitb.ac.in)

Export and Import Documents: Problems and Solutions in Collecting Payments

Sut Sakchutchawan, Waynesburg University

This paper describes the phenomenon of document discrepancies in international trade financing as a significant worldwide issue resulting in unnecessary delays, refused payments, and financial loss when banks discover discrepancies in required export and import documents presented under letter of credit and Uniform Customs and Practice. While this problem has grown in the past thirty years, no research has been undertaken to address this problem. Drawing on e-research, documentary survey, and descriptive research methodologies, the findings reveal that the excessive terms and conditions of letter of credit and the ambiguous context of the Uniform Customs and Practice caused discrepancies when the required documents examined by the banks. To solve these problems, Model 1, Model 2, Model 3, and Model 4 are recommended for use in the procedure. Recommended changes include elimination of excessive requirements of letter of credit and concise articulation of the context of each article to facilitate easy understanding of contractual terms. Additionally, the personnel involved in the process must be trained and certified to ensure they have the required skills to properly manage relevant documents. *(For more information, please contact: Sut Sakchutchawan, Waynesburg University, United States: ssakchut@waynesburg.edu)*

Immigration and Poland's Labor Market Following EU Enlargement

Bozena Leven, The College of New Jersey

Recent economic and political changes in the European Union have created new labor migration patterns for Eastern European countries with limited experience and institutional capabilities for managing international labor mobility. One of those countries is Poland.

Widespread economic liberalization and significant wage and employment rate differences between Western and Eastern Europe have, in a sense, once again placed Poland at the crossroads of Europe. Currently, three distinct, identifiable phenomena are occurring. A significant number of Poles are emigrating westwards to the

open markets of the EU or returning to Poland after years (or even decades) of living abroad, while foreign migrants from both inside and outside the EU are flowing into Poland, often without legal work permits.

In this paper we seek to better understand the impact of immigration on Poland's economy and society. To do so, we describe these recent immigrants (where possible) by country of origin, gender, education, profession and area of relocation. We then identify the few domestic economic policies now in place that purport to address Poland's new labor market problems revealing – among other things –no long-term strategy to match labor market demand with labor availability. The paper concludes with a suggested approach for bridging this gap in a way that recognizes and incorporates current and some future labor market needs and migration patterns. *(For more information, please contact: Bozena Leven, The College of New Jersey, United States: bleven@tcnj.edu)*

The Role of Subsidiary Profitability in the FDI Decisions of MNEs: An Empirical Analysis Using Firm-Level Panel Data

Michael Gestrin, OECD

Douglas Van den Berghe, Investment Consulting Associates - ICA

Virtually all explanations of foreign direct investment ascribe a role to various types of information in the internationalisation process. Firms use information on, inter alia, conditions in the markets in which they plan to invest, on the activities of their competitors, on the performance of existing operations and information derived from their own research and development efforts. In a world in which many firms already have more assets outside of their home country than in foreign host economies, we might also expect the performance of foreign operations to play an increasingly important role in determining subsequent foreign investment decisions. The focus of this paper is on the role played by the profitability of foreign operations, as reported in geographic segment disclosures, on future investment decisions of a sample of the world's largest MNEs. The analysis makes use of a panel database covering the profits, revenues and assets of a sample of 214 MNEs in the Fortune Global 500 between 1988 and 2001. *(For more information, please contact: Michael Gestrin, Organisation for Economic Co-operation and Development, France: michael.gestrin@oecd.org)*

International Business Research Productivity: Examining Causes and Updating University Ranks

Tomasz Lenartowicz, Florida Atlantic University

James P. Johnson, Rollins College

A number of studies have sought both to rank research journals in IB in terms of their output quality and to rank individual researchers and institutions in terms of output quantity. Using data from 2001-2006, we update the work of Kumar and Kundu (2004), who examined research output over a 10-year period, 1991-2000, in three leading IB journals: Journal of International Business Studies (JIBS); Journal of World Business (JWB); and Management International Review (MIR). We also extend the previous study by (1) including the use of weighted scores that take into account journal quality; (2) examining the impact that individual authors have on an institution's research reputation; and (3) investigating the presence of an "in-house editorship" effect that might bias the ranking towards an institution that houses a particular journal. *(For more information, please contact: Tomasz Lenartowicz, Florida Atlantic University, United States: lenartow@fau.edu)*

Session: 3.4.2 - Interactive**Track: Track: 5 - Structure, Capabilities, and Planning*****Innovation, Strategic Change, and the MNC*****Presented On:** July 3, 2008 - 14:20-15:35**Chair:** Duane Kujawa, University of Miami*Corporate Re-design and Performance in the Context of India's Economic Liberalization*
Ashok Som, ESSEC Business School

One central problem in management and organizations literature is that of designing complex organizations for superior performance through uncertainty avoidance, differentiation and integration mechanisms. This flows from the basis of understanding that complex processes within organisations can be decomposed into mechanisms. These mechanisms become more prominent with turbulence and uncertainty in the environment wherein organizations need to emplace appropriate formal re-design mechanisms. In the backdrop of the ongoing economic liberalization in India, a multiple-respondent survey of 69 Indian organizations was undertaken. The research question was to study the impact of changes in re-design mechanisms on firm performance. This research question was intimately related to broader issues of concern to organization theory including the usefulness and value of re-design efforts and the implications of organizational change processes. The results shows that mechanisms of uncertainty reduction, differentiation, and integration tend to enhance corporate performance in turbulent environments, while their absence or low usage depresses it. Integration mechanisms came out to be the most critical determinant of the effectiveness of design efforts. Several implications for contingency theory and design are discussed. *(For more information, please contact: Ashok Som, ESSEC Business School, France: som@essec.fr)*

Strategic Choice and Strategic Discretion: The Complex Relationship Between the Level of State Equity Ownership, Top Management Team Composition and Innovation Intensity in China

Livia Anna Markoczy, University of Texas at Dallas
Yuan Lu, Chinese University of Hong Kong
Weiwen Li, Chinese University of Hong Kong
Erming Xu, Renmin (People's) University of China
Han Zhang, Renmin (People's) University of China

We investigate the relationship between TMT composition and R&D spending in 451 companies from four industries over a five year period in China as well as looking at the moderating effect of the level of state equity ownership on this relationship. Relying on resource dependence theory we suggest and test the suggestion that TMTs with various compositions are more or less successful with managing access to critical resources that are controlled by the state which then affect what discretion TMTs have to make strategic choices. *(For more information, please contact: Livia Anna Markoczy, University of Texas, Dallas, United States: livia.markoczy@utdallas.edu)*

Organizational Slack and Firm Performance in China: Impact of Ownership and Competition

Min Ju, Saint Louis University
Hongxin Zhao, Saint Louis University
Yigang Pan, York University

In this study, we examine the effect of organizational slack on firm performance in a transitional economy. Empirical findings based on longitudinal data from 1998 to 2002 suggest a positive influence of unabsorbed

slack and a negative influence of absorbed slack on financial performance. We emphasize ownership type and competition level as important contingencies. Results indicate that the impact of organizational slack on firm performance is weaker in SOEs than that in other firms and the impact is stronger in private firms than that in FIEs. Furthermore, the more competitive the industry is, the stronger the negative effect of absorbed organizational slack has on firm performance. We also explore and find evidence for interactions among these contingencies. The implications of these findings for the literature are discussed. *(For more information, please contact: Min Ju, Saint Louis University, United States: mju2@slu.edu)*

Effects of Multinationality and Dynamics of Resource Deployments on Innovative Performance

Chia-Wen Hsu, Yuan Ze University
Ching-I Chen, National Chi Nan University
Po-Chou Chen, Nan-Hua University

Previous theoretical explanations and empirical analyses of the multinationality-performance relationship have produced mixed results. Recent research has proposed that there is a three-stage theory of international expansion that incorporates the multinationality and performance in an S-curve hypothesis. We contribute this research stream by examining the effects of multinationality and dynamics of resource deployments on innovative performance. Data on 202 Taiwanese high-tech firms over 6 years showed a consistent horizontal S-shaped relationship between multinationality and innovative performance. Furthermore, the present study also found that while value creation is positively associated with innovative performance, an inverted U-shaped relationship between value appropriation and innovative performance exists. Theoretical implications of these results and suggestions for future research are also discussed. *(For more information, please contact: Chia-Wen Hsu, National Taiwan University, Taiwan, R.O.C.: kevinjubi@yahoo.com.tw)*

What Strategic Change do Chinese Listed Companies make in Response to Complexity and Hostility in the External Environment?

Laubie Li, University of South Australia
Peter Chou, University of South Australia
Yu Wang, Chengdu University of Technology

Through empirical research on 207 Chinese listed companies, the effect of complexity and hostility from external environment on speed and scope of strategic change is analyzed. The result suggests that some factors of complexity are negatively related to some factors of speed and scope of strategic change, meanwhile some factors of hostility are positively related to some factors of speed and scope of strategic change. *(For more information, please contact: Laubie Li, University of South Australia, Australia: laubie.li@unisa.edu.au)*

Theorizing the Effect of the MNC Subsidiary Top Management Team on Subsidiary Performance

Shengsheng Huang, Rutgers University
Guohua Jiang, Hebei University of Economics and Business

This paper theorizes the effects of top management team (TMT) of MNCs' subsidiaries on subsidiary-level performance. Strategic management widely acknowledges the crucial role of top management in firm performing but in multinational corporations (MNCs) the linkage between TMT and performance at subsidiary-level is much more complex and implicit due to organizational inter-dependence within the MNC network. This paper investigates the effects of the subsidiary's TMT on its performance based on knowledge view and network view of the MNC. Moreover, one important demographic character, nationality, is proposed to have implications to performance. Testable hypotheses are given and future research suggested. *(For more information, please contact: Shengsheng Huang, Rutgers University, United States: huangs@pegasus.rutgers.edu)*

Performance Enhancing Strategies in Emerging Market Firms: A Study of Product Diversification, International Diversification and Innovation

Yung-Chih Lien, National Sun Yat-Sen University
 Jenifer Piesse, King's College London
 Igor Filatotchev, City University of London
 Roger Strange, King's College London

This paper investigates how various strategies impact on firm performance using firm level data from Taiwan, a rapidly growing emerging market. These strategies include innovation, product diversification and internationalization and are considered singly and in combination. We find that R&D spending and international sales from this emerging economy can significantly enlarge the resource base of firms and allows them to overcome environmental constraints. Increased expenditure on innovative activity and internationalization generate higher performance when used in combination than when used separately. Conversely, product diversification as a single strategy, whether in terms of type or degree significantly complicates firm operations, increases transactions costs and negatively effects performance. However, when used in association with the other two strategies, the degree of product diversification does have positive impacts on performance. These findings confirm the combined effects of innovation, product diversification and internationalization on strategic performance, in the particular context of an emerging economy. *(For more information, please contact: Yung-Chih Lien, National Sun Yat-Sen University, Taiwan, R.O.C.: lienyc@faculty.nsysu.edu.tw)*

Competition or Cooperation? An Exploratory Study of Cross-border Industry Networks

Julia L. Lin, I-Shou University
 Shin-Chieh Fang, National Cheng Kung University
 I-Pin Lu, I-Shou University

Firms are embedded in networks of inter-organizational relationships which influence the behaviors and performance of firms and the flow of resources among them. The purpose of the study is to develop a conceptual framework of Cross-border industry networks with the focus on competitive and collaborative elements. First, we identify simultaneously the collaborative and competitive elements of the relationship in Cross-border industry networks, and based on industrial economics and network theory, we develop a conceptual framework to explore the nature and dynamics of competition and cooperation in Cross-border industry networks. Then, we develop propositions to identify the determinants of competition and cooperation. Finally, discussing the theoretical and practical implication, we conclude that the relational embeddedness perspective with a focus on competition and cooperation dynamics in industrial network advances our understanding of network dynamics. *(For more information, please contact: Julia L. Lin, I-Shou University, Taiwan, R.O.C.: julia@isu.edu.tw)*

Session: 3.4.3 - Interactive**Track: Track: 1 - The Context of Global Business*****Macro-level Institutions and International Business*****Presented On:** July 3, 2008 - 14:20-15:35**Chair:** Paul M. Vaaler, University of Minnesota*The Antecedents and Effects of National Corruption: A Meta-Analysis*

William Q. Judge, Old Dominion University

D. Brian McNatt, Old Dominion University

Weichu Xu, Old Dominion University

We conducted a meta-analysis of 41 empirical studies to quantitatively summarize the corruption literature. Political/legal variables were found to be the best predictors of corruption, but macroeconomic and socio-cultural variables were also predictive. Furthermore, we found that the type of corruption measure matters, and recommend the measures developed by Transparency International, the World Bank, and the PRS group. In general, the effect of corruption was strongest on political/legal institutions, but it affected economic and socio-cultural institutions as well. Overall, we advance a model and offer insights to help reformers and scholars reduce the impact of corruption in the global economy. *(For more information, please contact: William Q. Judge, Old Dominion University, United States: wjudge@odu.edu)*

Trust, Rule of Law, and New Firm Formation

Michael L. Troilo, University of Tulsa

Entrepreneurship is key for economic growth, yet comparatively little research has examined the relationship between institutions and new firm formation. I test the impact of trust and rule of law on new firm formation using the Global Entrepreneurship Monitor (GEM) survey data for 2001-2003. I find that both trust and rule of law are significant for starting firms that expect to create 20+ new jobs in 5 years, my proxy for Schumpeterian entrepreneurship. This finding counters prior literature that suggests that rule of law and trust are significant for all forms of entrepreneurial activity. *(For more information, please contact: Michael L. Troilo, The University of Tulsa, United States: mike-troilo@utulsa.edu)*

A Cross Sectional Study of the Social Organizational Design of Multinational Corruption Using Ward's Hierarchical Clustering Analysis

Thomas Fitzpatrick, Saint Anselm College

It is the position of this study that corruption is the result of a complex set of cultural/psycho-social, political and economic dynamics within a society and as such any study that pursues a causal understanding of corruption must include an array of variables from these disciplines. The purpose of this article is to examine the relationship between cultural characteristics, economic opportunity, economic capability, income equality, governance structure and levels of corruption through a cross-sectional analysis of countries around the world. The model is designed with the intention of taking the analysis of corruption beyond a "linear and mechanistic view of the world incapable of capturing the richness and complexity of the rhythms" of a socio economic system. The study depicts the impact of cultural, economic structure, and governance checks and balances on the social organization of nations, and through this depiction the importance of democracy, capitalism and social equality emerge preeminent in the reduction of corruption. *(For more information, please contact: Thomas Fitzpatrick, Saint Anselm College, United States: tfitzpatrick@anselm.edu)*

Natural Disaster, Man-made Disaster, and International Trade: A Country-level and Industry-level analysis
Chang Hoon Oh, Brock University

This study estimates the influence of disasters on international trade with a gravity equation model. The econometric specification controls unobserved characteristics of trade pairs and endogeneity problems. Four types of disasters will be introduced: natural disasters, technological disasters, political risks, and financial crises. The effects of disasters are different across the socio-economic status of trade pairs and across industries as well as across different types of disasters. Results from country-level and industry-level show that natural disasters reduce international trade flows by raising trading and security costs and hardening borders. In contrast to previous findings, these results show that terrorism activities and technological disasters increase the international trade particularly between developed countries. *(For more information, please contact: Chang Hoon Oh, Brock University, Canada: coh@brocku.ca)*

Economic and Political Freedoms and Firm Profitability
Alvaro Cuervo-Cazurra, University of South Carolina
Luis Dau, University of South Carolina
C. Annique Un, University of South Carolina

We analyze the influence of economic and political freedom on firm profitability in Asia-Pacific. We build on institutional economics and the concept of institutional constraints to argue that both types of freedom support firm profitability. We propose that the reduction of constraints on firm actions and on ideas that accompany economic and political freedom respectively support firm profitability. The paper provides a novel discussion of the influence of the institutional environment on firm behavior and has important implications for the debate in Asia-Pacific of whether it should follow the economic and political freedoms of the West or its own model of development with economic but limited political freedom. *(For more information, please contact: Luis Dau, University of South Carolina, United States: luis_dau@moore.sc.edu)*

An Exploratory Study of the Relationship between Country Institutional Infrastructure and Corporate Governance Practices across 47 Markets

Shirley June Daniel, University of Hawaii at Manoa
Dongyoung Lee, University of Hawaii at Manoa

Globalization of financial markets and the harmonization of accounting standards have brought an increased focus on issues of corporate governance practices in different countries. While there has been some convergence in corporate governance standards, particularly those relating to director independence and shareholder rights, it is not clear how much progress has been made in actual corporate governance practices. This study provides an empirical analysis exploring the relationships between the institutional and regulatory infrastructure and the corporate governance practices of firms in 47 markets. The results indicate that there are significant positive relationships between good corporate governance practices, as measured by the Governance Metrics International Country ratings, and the institutional infrastructure within a country, as measured by the WorldBank WGI Index. These results are a step toward better understanding the infrastructures needed to support good corporate governance. More analysis is needed to understand the multi-faceted relationship between these complex variables. *(For more information, please contact: Shirley June Daniel, University of Hawaii at Manoa/Pacific Asian Management Institute, United States: sdaniel@hawaii.edu)*

Session: 3.4.4 - Interactive**Track: Track: 1 - The Context of Global Business*****Stakeholders, Political Influence and Strategy*****Presented On:** July 3, 2008 - 14:20-15:35**Chair:** Stefanie Lenway, University of Illinois at Chicago***Political Capital, Industrial Visibility and Social Legitimacy: The Adoption of Political Strategies and Their Influence on Innovation Performance***

Menita Liu Cheng, Peking University

Jianfeng Wu, Peking University

Drawing from corporate political strategy and stakeholder theory, we analyze and test the adoption of corporate political strategies, 'Political Capital', 'Industrial Visibility' and 'Social Legitimacy', by firms located within the Zhongguancun Science Park and their effects on innovation. Our findings suggest that 'political capital' in the form of government financing for research and development (R&D) activities negatively influence innovation performance due to increased interdependence and uncertainty. In addition, 'Industrial Visibility' in the form of technological leadership (publications and journals) and 'Social Legitimacy' (awards and public recognition) have positive effects on innovation. Overall, simultaneously adopted corporate political strategies (double edged swords) targeted at multiple stakeholders may have neutralizing performance effects for the firm as it tries to meet competing demands. (For more information, please contact: Menita Liu Cheng, Peking University, China: atinem@hotmail.com)

Unpacking the Political-Business Behaviour in Indonesia --An Integrative Perspective

Kuan-Cheng Chen, Shih Hsin University

A number of scholars from different epistemological backgrounds study political-business behaviour. However, because this behaviour is difficult to observe, we know little about it. This paper explores an untouched area by taking an integrative perspective and by accessing the inner circles of the richest family in Indonesia. An integrated framework is presented, analyzing and explaining how capital is channelled to political elites in order to obtain corporate privilege. I conclude by translating the findings into a normative and actionable anti-corruption system for Indonesian government policymakers, and I make recommendations for Western managers. (For more information, please contact: Kuan-Cheng Chen, Shih Hsin University, Taiwan, R.O.C.: kchen@cc.shu.edu.tw)

The Effect of the Institutional Environment on the Performance of a Firm's Political Strategy: How the Rules of the Game Shape How Firms Play the Game

Charles Edward Stevens, The Ohio State University

As management researchers acknowledge that firms can take strategic action to alter exogenous sources of uncertainty such as public policy and other forms of government intervention, increasing attention has been given to the strategies firms use to attain economic ends through political means. While many papers in this growing field examine the firm-specific determinants of political strategy or the performance effects of specific political tactics, little attention has been paid to how systematic variance in institutional environments affects the choice and performance of overarching political strategies. This paper contributes to the literature by examining two important institutional dimensions—the level of government involvement and the strength of property rights protection—and creating a framework predicting the performance outcome of a firm's choice of political strategy based on the attributes of the institutional environment in which it operates. (For more

information, please contact: Charles Edward Stevens, The Ohio State University, United States: stevens.316@osu.edu)

Environmental Practices in Three Countries' Wine Industries: An Empirical Application of the Theory of Reasoned Action and Stakeholder Theory

R. Scott Marshall, Portland State University
 Michèle Eunice Marie Akoorie, University of Waikato
 Ralph Hamann, University of Cape Town
 Paresha Sinha, University of Waikato

Industry transformation related to environmental stewardship has received significant scholarly attention over the past decade. However, there is limited empirical work that examines the motivations for improving environmental performance in an industry in different countries. In this paper we develop a set of hypotheses, based in the theory of reasoned action and stakeholder theory, regarding drivers of the adoption of environmental practices in the wine industries of New Zealand, South Africa and the United States. We test our hypotheses using data from survey questionnaires collected in each country. Our findings suggest that subjective norms and internal stakeholder pressures are common drivers of the adoption of environmental practices in the three countries. However, managerial attitudes and external stakeholder pressures are not significant drivers. Our conclusion discusses the implications of our findings. *(For more information, please contact: R Scott Marshall, Portland State University, United States: scottm@sba.pdx.edu)*

Scope and Motivation as Key Dimensions in Firms' CSR Behavior: An Historical Perspective

Susan Lea Young, The Ohio State University

In the past hundred and fifty years, there have been changes occurring along two key dimensions in firms' CSR behavior: the scope of responsibilities and the motivation of firms' CSR action. Both internal firm factors and external institutional factors contributed to these changes. Changes in firm level factors such as size, complexity, and form of firms led to changes in the motivation and scope of CSR action. In response, philanthropic organizations grew in size and complexity alongside these firms, and pressured firms to accelerate their CSR activities. The interaction between firms and philanthropic organizations further influenced government policies and increased social expectations for firms' CSR behavior. We conclude that firm CSR behavior will differ across countries because institutional differences such as the power of philanthropic organizations, government policies, general social expectations and dominant firm structure and average firm size vary across countries. *(For more information, please contact: Susan Lea Young, The Ohio State University, United States: young.1232@osu.edu)*

Lobbying Activities Towards Influencing the Decision making Process at the European Parliament

John Sharp, University of Kent
 Fragkiskos Filippaios, London School of Economics
 Robert Charles Kennedy, University of Kent

The purpose of this paper is to give an overview of the importance of the European Parliament as a focus for corporate lobbying activities at the EU. It has long been accepted that the European Commission is a highly desirable target for such activities, however this paper shall look at how the evolving legislative decision making processes at the EU have allowed for the European Parliament to increase its level of influence into the processes with the now widely adopted process of Co-decision. In line with this, the paper will identify the points at which legislative decision-making process can be accessed by the European Parliament and influenced through corporate lobbying activities. In conjunction the paper will give an overview of how this research can be taken forward. *(For more information, please contact: Charles Kennedy, The University of Kent, United Kingdom: R.C.Kennedy@kent.ac.uk)*

Managing Key Account Portfolio across Relational Process by Adjusting Value Proposition

Ming-Huei Hsieh, National Taiwan University
Wen-Chiung Chou, National Taiwan University

Empirical research in key account management (KAM) has tended to take a focal key relationship at a given time and attempt to project its trajectory, despite the heterogeneity of key accounts and longitudinal perspectives focus on the process models advances the implications. The authors use a case study approach to investigate a case company's KAM practice along its customer's IT service sourcing process. The finding suggests that the vendor manages various key accounts by adjusting its value proposition across relational process. The study concludes with a key account management portfolio in which four relationships development trajectories, i.e., Stable Growth-Mature-Plateau, Growth-Stable Maturity-Growth, Growth-Passing Fling-Divide and Unstable Growth-Maturity-Resurgence, were identified. Each trajectory is characterized by the intensity of KAM efforts across process. *(For more information, please contact: Wen-Chiung Chou, National Taiwan University/Department of International Business, Taiwan, R.O.C.: d93724013@ntu.edu.tw)*

Session: 3.4.5 - Interactive

Track: Track: 8 - HRM, Cross-Cultural, and Qualitative

Expatriate and Staffing Issues

Presented On: July 3, 2008 - 14:20-15:35

Chair: Allen Douglas Engle, Eastern Kentucky University

A Demands-resources Approach to Expatriate Family and Expatriate Work Outcomes

Laura Guerrero, University of Western Ontario
Mitchell G. Rothstein, University of Western Ontario

Expatriate research has focused mostly on the cross-cultural adjustment of the expatriate. Although the role of the spouse has been acknowledged as important and empirical findings suggest that the family impacts expatriate job outcomes, few researchers have viewed this as a problem that intersects both the family and work domain. Expatriation may, in fact, be the ideal setting to study WIF (work interference with family) and FIW (family interference with work) since expatriation introduces a major change due to the work domain at a specific point in time, and it isolates the expatriate family from previous stressors which makes the origins of the interference more easily attributable to a given domain. In this paper, we propose a model of expatriate family adjustment which conceptualizes adjustment as a result of work and family variables by utilizing a demands-resources approach to WIF and FIW. First, we will review the expatriate literature. Second, we will review the work-family interface literature, in particular a demands-resource approach. Then, we will integrate these literatures to develop a model of expatriate family adjustment and develop propositions. We will conclude with theoretical contributions and managerial implications. *(For more information, please contact: Laura Guerrero, Richard Ivey School of Business/ University of Western Ontario, Canada: lguerrero@ivey.uwo.ca)*

International Experience and the Development of Successful Global Leaders

Paula Caligiuri, Rutgers University
Ibraiz Tarique, Pace University

This study identifies tasks performed by those identified as global business leaders in multinational organizations and then examines the predictors of success performing those tasks. The study of over two-hundred global leaders found that high-contact cross-cultural leadership development experiences and the leaders' personality characteristics were predictors of effectiveness in global leadership activities. Testing hypotheses based on the contact hypothesis, extroversion is found to moderate the relationship between high-

contact cross-cultural leadership development experiences and effectiveness on global leadership activities: Highly extroverted leaders with a greater number of high-contact cross cultural leadership development experiences are the most effective on global leadership activities. *(For more information, please contact: Ibraiz Tarique, Pace University, United States: itarique@pace.edu)*

The Impact of Personality Traits on Cross-cultural Adjustment: A Study with Expatriates in Japan

Vesa Peltokorpi, HEC School of Management, Paris

Fabian Jintae Froese, Korea University

While personality traits have been regarded as among the most important factors influencing expatriates' cross-cultural adjustment, relatively little focused research with a broad array of personality traits have been conducted. The present study examines the impact of expatriate personality traits through the Multicultural Personality Questionnaire (Van Oudenhoven & Van der Zee, 2000) on the three facets (general-, interaction-, and work-adjustment) of cross-cultural adjustment among 181 expatriates in Japan. The results show positive relationships between the expatriate personality traits of Open Mindedness and interaction adjustment, Emotional Stability and Cultural Empathy and general adjustment, and Social Initiative and work adjustment. The results also provide nominal support for the "cultural fit" hypothesis in that the cultural fit between expatriate personality traits and host country cultural values facilitates cross-cultural adjustment. Suggestions for practice and future research are provided. *(For more information, please contact: Vesa Peltokorpi, HEC School of Management, Paris, France: peltokorpi@hec.fr)*

Internationalizing the HR Function in Project Operations

Catherine L. Welch, University of Sydney

Denice E. Welch, Melbourne Business School

Marilyn Fenwick, Monash University

In international human resource management research, there have been calls to examine how the HR function is affected by international growth and expansion. In this paper, we address this neglected topic by examining the HR function within an international project firm. We explain how the organization of the HR function, and the ensuing challenges, was inextricably linked to the nature of the firm's international operations. HR activities at each stage in the project cycle were identified, including the 'embedding' of HR at project sites in order to manage the relocation of large numbers of staff to temporary locations. We conclude by discussing the implications of project operations for the organization and performance of the HR function in global firms. *(For more information, please contact: Catherine L. Welch, University of Sydney, Australia: c.welch@econ.usyd.edu.au)*

For Love or Money: Psychological Contract Violation Experience of Expatriates in Hong Kong and Macau

Leanda Lee, Monash University

As part of a larger theoretical framework that suggests psychological contract violation to be a precursor to outcomes of expatriate performance management, this paper discusses the psychological contract theories and measures applicable to the expatriate context and examines the prevalence of psychological contract violation amongst Australian expatriates in Special Administrative Regions of China. It was found that there is some theoretical and empirical evidence to distinguish between breach, violation and fulfilment. *(For more information, please contact: Leanda Lee, Monash University, Macau: leanda.lee@buseco.monash.edu.au)*

Does Psychic Distance Matters in the Expatriation Process? Findings from the Brazilian Experience

Maria Tereza Leme Fleury, University of São Paulo

Erika Penido Barcellos, University of São Paulo

Betania Tanure, Fundacao Dom Cabral

The aim of this paper is to explore how different degrees of psychic distance between countries influence the expatriation processes in young multinational companies from emerging countries, such as Brazil. While the concept of psychic distance has been extensively explored in the literature for the analysis of the paths to internationalization of multinational companies, researchers have only recently begun to analyze its influence on expatriation processes. Aiming at adding to this debate, we have studied Brazilian expatriates, through the development of a multidimensional instrument to measure psychic distance and the classification of expats' countries of destination as "close" or "distant" in relation to Brazil. Our results show no predominance of countries that are psychically close to Brazil for the expatriations of professionals from the studied companies. When analyzing the expats' perceptions of the expatriation process, cultural integration emerged as a challenge for expats from both "close" and "distant" countries. However, those companies do not seem to take this into consideration in their selection and training processes. Evidence of the "psychic distance paradox", as expatriates and families from "close" countries seem to receive less support for cultural adaptation than the ones from "distant" countries, was also found. *(For more information, please contact: Maria Tereza Leme Fleury, University of Sao Paulo, Brazil: mtfleury@usp.br)*

Expatriate Leadership and Innovation: The Moderating Role of Cultural Intelligence

Detelin S Elenkov, University of Tennessee

Ivan M Manev, University of Maine

Does the leadership exercised by expatriate managers affect innovation? And does their cultural intelligence matter? These are the research questions for this paper, which we explore with data from 848 managers and employees from companies in all 27 current member countries of the European Union. Results reveal a strong influence of expatriates' visionary-transformational leadership on innovation. We also find that expatriates' cultural intelligence moderates the effect of their leadership on organizational, but not on product-market innovations. *(For more information, please contact: Ivan Manev, University of Maine, United States: imanev@maine.edu)*

Session: 3.4.6 - Interactive**Track: Track: 9 - Internationalization and Intl. Marketing*****Culture and MNE Policy*****Presented On:** July 3, 2008 - 14:20-15:35**Chair:** Marin A Marinov, University of Gloucestershire*The Localization of MNEs' Web Sites for Chinese Online Consumers: A Content Analysis*

Mike Chen-Ho Chao, Baruch College, CUNY

Gary Muddyman, Conversis Global

The Chinese online market represents the most affluent and educated part of the Chinese population. Some American companies have developed Chinese-language sites to target this attractive online segment. This study provides a conceptual framework for analyzing these Chinese web localization efforts based on four constructs that capture the overall quality of web localization: Content Localization, Cultural Customization, Local Gateways and Translation Quality. A questionnaire based on these four constructs was developed to examine how effectively the 100 companies in the study sample have localized their web sites to appeal to online Chinese

consumers. The results indicate that most U.S. web sites have emphasized translation of the web content from English to Chinese without localizing the site in terms of navigation, graphics, colors, and other culturally relevant content. *(For more information, please contact: Mike Chen-Ho Chao, Baruch College, The City University of New York (CUNY), United States: chen-ho_chao@baruch.cuny.edu)*

Culture's Effect on Corporate Crisis: A Theoretical Explanation of Recent Events
Takisha Salley, Saint Louis University

This paper provides a theoretical framework that combines crisis communications theory, public relations theory and culture theory in an attempt to further understand the nature of cross cultural crisis events. While past studies have examined crisis response strategies from a firm perspective or consumer behavior perspective, few have combined the two into a comprehensive theoretical model in which culture impacts both the selection of firm strategy and consumer response. Therefore, this paper establishes propositions that utilize Hofstede's typology to further understand this relationship.

(For more information, please contact: Takisha Salley, Saint Louis University, United States: salleyta@slu.edu)

How Global are the World's Largest Empires?
Sandra Seno Alday, University of Sydney

This paper attempts to empirically test the conventional wisdom that the world's largest companies (as represented by the Global Fortune 500) are global firms. The study proposes to anchor the definition of a global firm on its ability to identify and capture markets on a global scale, and develops a Globality Index (GI) to measure the degree to which a firm can be described as truly global. The study conducts a cross-sectional analysis on 100 of the 2006 Global Fortune 500, and explores implications on strategy and policy based on the findings. *(For more information, please contact: Sandra Seno Alday, The University of Sydney, Australia: s.seno-alday@econ.usyd.edu.au)*

The Internationalization of the Software Market: Opportunities and Challenges for Brazilian Companies
Oscar Roberto Burzynski, UNICENP
Zandra Balbinot, UNICENP
Alexandre Reis Graeml, UNICENP

Information technology is responsible for great changes in people's lives, as well as in organizations and the society as a whole. The performance of different sectors of the economy relies on the good use of information. The software industry develops and makes available tools and solutions for better organizing information in order to improve decision making. This paper deals with the possibility of internationalization of the software industry from the perspective of Brazilian software developers and service providers. The purpose of the study was to understand the way Brazilian software companies relate to the international software market, comparing the perceptions of entrepreneurs and those of official agencies' executives responsible for increasing Brazil's participation in the international software market. The study also intended to identify factors that interfere with the Brazilian participation in the international software market. Data collection took place by means of semi-structured interviews. The data that was gathered was submitted to content analysis. Results show that Brazilian software companies perform poorly when the issue is exporting their products and services, due to a few factors that will be discussed here, in detail. *(For more information, please contact: Zandra Balbinot, UNICENP, Brazil: zandra.balbinot@unicenp.edu.br)*

An Alternative Approach for Diagnosing Stylistic Responses in Cross-National Research: Application of the G-Theory

Srinivas Durvasula, Marquette University
 Subhash Sharma, University of South Carolina
 Richard G. Netemeyer, University of Virginia

Cross-cultural studies frequently involve comparison of consumer attitudes in various countries based on responses to multi-item rating scales. In such studies, observed differences in mean responses are unhesitatingly attributed by researchers to underlying cross-national differences in consumer attitudes. However, it is quite likely that the true source of differences is consumers' response style in different countries, rather than their attitudes. Failure to rule out this measurement artifact would, therefore, seriously undermine study findings. As such, prior to making any mean comparisons and drawing significant conclusions, it is imperative to determine whether stylistic responses affect how consumers answer survey questions in different countries. In this paper we propose a new approach, based on the generalizability theory, for diagnosing stylistic responses in cross-national research and compare its relative merits with other diagnostic tools. Data collected from three countries on a popular measure of consumer involvement is used for testing our new approach and its alternatives. Implications of our study results will then be discussed. *(For more information, please contact: Srinivas Durvasula, Marquette University, United States: srinivas.durvasula@marquette.edu)*

Free Trade Zones as Global Institutions: A Multi-country Case Study Analysis

Shavin Malhotra, Jacksonville University
 Nicolas Papadopoulos, Carleton University
 Melodena Balakrishnan, University of Wollongong in Dubai

Free Trade Zones (FTZs) are geographically-defined areas within countries that are intended to provide a barrier-free environment for business, often accompanied by special incentives, for firms considering in-zone operations. FTZs are an important institution given their success in improving the economic development and international competitiveness of host countries, and also by virtue of their role in the internationalization strategy of business firms. There are more than 3,000 FTZs across 130 countries; the number of FTZs has doubled in the last five years. While there is sufficient research on FTZs in the area of developmental and regional economics, business research is sparse and limited in its scope. This study provides a comprehensive view of FTZs including its operations, structure, role, function, and orientation, and also examines the FTZ-tenant arrangement by studying the motives and perceptions of tenant firms. The objectives of this study were achieved by in-depth case studies of four different FTZs, which involved 35 interviews with zone officials and company managers. *(For more information, please contact: Shavin Malhotra, Jacksonville, United States: smalhot@ju.edu)*

Are Multinationals Localizing Their Websites? The Link Between Managerial Attitudes and MNE Web Content

Daniel W. Baack, Ball State University
 Jennifer Bott, Ball State University
 Gary Muddyman, Conversis Global

Localization of web content has been found to increase website effectiveness and to lead to stronger relationships with consumers. Therefore, localization is an important strategic consideration for firms. While in the last decade a series of studies have investigated localization, including adaptation of website content, these studies have not looked at firm attitudes regarding localization practices nor have they linked these attitudes to firm behavior. To fill this gap in the literature, this study first surveys the localization attitudes of 65 managers and then compares these opinions with an analysis of the content of their company's corresponding German websites. The study finds that managers view localization as an important component of their marketing strategy and that this focus on localization is reflected in more culturally localized web content. *(For more information, please contact: Daniel W. Baack, Ball State University, United States: dwbaack@bsu.edu)*

Session: 3.4.7 - Interactive**Track: Track: 11 - FDI in and from Emerging Markets*****Internationalization and Performance - Evidence from Emerging Markets*****Presented On:** July 3, 2008 - 14:20-15:35**Chair:** Paul W. Beamish, University of Western Ontario***Ownership of the Firm and its Impact on Internationalization Patterns in India's Software and Information Technology Industry***

Sumit Majumdar, University of Texas at Dallas

Davina Vora, State University of New York at New Paltz

Ashok Nag, Reserve Bank of India & Riskraft Consulting Ltd.

Drawing upon the financial economics, international business, and law literatures, we hypothesize that the nature of firm ownership, associated with firms being public limited companies, private limited companies, or unincorporated enterprises, influence the internationalization patterns of software and information technology companies in India. The results support our hypotheses, as variations in ownership were found to significantly impact regional sales in the U.S. and Canada, Europe, Latin America, and the Middle East. Organizational size and business type were also significantly related to sales in a number of regions. Implications of our findings and directions for future research are discussed. *(For more information, please contact: Davina Vora, SUNY New Paltz, United States: vorad@newpaltz.edu)*

The Internationalization of Indonesian Business Groups: Crisis, Institutional Change and Corporate Responses

Marleen Dieleman, National University of Singapore

The paper explores how domestic institutional changes in Indonesia have affected internationalization patterns among Indonesia's largest business groups. Using the multiple case study method, we track patterns of internationalization of Indonesia's largest business groups over time. We first develop a typology of business groups in terms of exposure to international business, and then analyze international expansion for each type before and after the Asian crisis. We find that firms associated with the previous regime, and which perceive reduced security of property rights, tend to intensify internationalization. Findings also indicate that Indonesian firms leverage their capacity to operate in weak institutional settings, and primarily invest in emerging markets with a similar business climate. Our findings differ from studies in other emerging markets, and provide support for those arguing that including institutional factors in IB frameworks will increase their explanatory power for emerging market firm internationalization. *(For more information, please contact: Marleen Dieleman, NUS Business School, Singapore: marleen@nus.edu.sg)*

National and International Expansion of SMEs from China

Guillermo Cardoza, Instituto de Empresa Business School

Gaston Fornes, University of Bristol and ESIC Business and Marketing School

The paper aims at studying the national and international expansion of SMEs in emerging countries. The data was collected from 120 SMEs operating in Ningxia, China, and then analysed using multivariate regressions; the models used the firms' export intensity at the regional, national, and international level as dependent variables. Two models used the barriers to the national and international expansion (based on a previous work by Leonidou (2004)), and the other two models the characteristics of Chinese international companies as independent variables. The results show that 12 of the barriers defined by Leonidou are hindering the expansion of Ningxia's SMEs, that the ownership from the state does not play an important role in this

expansion, and that the support from the state in the form of funds is helpful in the first stages of the expansion (regional level) and the funds from private sources are key to cross the country's boundaries. *(For more information, please contact: Guillermo Cardoza, Instituto de Empresa Business School, Spain: guillermo.cardoza@ie.edu)*

Foreign Market Acquisitive Forays by Indian Firms: A Preamble

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This paper aims to fill a critical gap in the understanding of high commitment foreign market entry by emerging economy firms; a phenomenon much in vogue but relatively under researched. In particular, we explore whether overseas acquisitions by Indian firms create value and also investigate some of the determinants of this value creation. Our dataset of all completed acquisitions by Indian firms in this millennium reveals significant and positive abnormal returns to the shareholders of acquiring firms. We further theorize and predict that these abnormal acquirer returns would be significantly higher for targets in developed economies as compared to emerging economies and find support for the same. *(For more information, please contact: Sathyajit Gubbi, Indian Institute of Management Calcutta, India: satgubi@gmail.com)*

Internationalization and Performance in Chinese Firms: The Effect of Firm-specific Advantage

Manli Huang, University of Ferrara, Italy and South China University of Technology
 Hailin Lan, South China University of Technology

This paper examines the relationship between internationalization and performance and tests firm-specific advantage as the moderator on the relationship in firms in an emerging economy (China). Using a sample from listed companies in China, we find that there is no significant relationship between internationalization and performance and the effect of firm-specific advantage is partially positive and inconsistent. We argue that the results suggest unique internationalization characteristics of firms in the specific context of an emerging economy. We further explore the internationalization-performance relationship and the effect of firm-specific advantage to explain and conclude the underlying mechanism with the contingent internationalization and firm-specific advantage in Chinese context. *(For more information, please contact: Manli Huang, South China University of Technology, China; University of Ferrara, Italy, China: huangmanli@126.com)*

International Expansion of Multinationals From Transforming Economies: Insights From the Experience of Chinese, Russian, and Indian Multinationals

Carl F. Fey, Stockholm School of Economics
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Traditionally, few were worried about Chinese, Indian, or Russian companies becoming important global players. However, now companies from transforming economies are starting to do just this and emerge as significant global competitors. It is high time to pay attention to these new kids on the block as serious competitors. This paper seeks to help with this task by investigating the internationalization of firms from China, India, and Russia and developing an understanding of what firms from transforming economies should do to increase their chances of success. The paper also shows that they internationalize for different reasons, using different mode ordering, and by initially entering different countries than their western counterparts and thus conventional FDI theory needs to be modified when applied to transforming economy firms. The paper develops the Five M framework to guide managers and academics in their understanding of the

internationalization of these firms. With the help of vivid examples from 18 mini case studies, this paper investigates the motivations, markets, modes, methods and management practices which have allowed these firms to be successful. *(For more information, please contact: Carl F. Fey, IIB, Stockholm School of Economics, Sweden: Carl.Fey@hhs.se)*

The Relationship between Internationalization and Performance (M-P) in the Context of Latin American Firms
Armando Juan Borda, Florida International University
Sokol Celo, Florida International University

One of the most discussed questions of international business research is the relationship between multinationality and performance. Despite the theoretical arguments favoring international activities, the empirical results are mixed and contradictory. A new general theory is gaining acceptance: the 3 stage model. However, its application is assumed to be context dependent. We test this model in a new setting: Latin America. Our results suggest that the relation is best described by a U shaped curve, that firms at latter stages of internationalization outperformed firms at intermediate stages and that manufacturing firms outperform service firms. *(For more information, please contact: Armando Juan Borda, Florida International University, United States: abord001@fiu.edu)*

A Re-examination of the Fizz from Coca-Cola's Indian Experience
C. Gopinath, Suffolk University

The exit of Coca-Cola from the Indian market in 1977 has been frequently quoted in IB textbooks as an example of political risk faced by multinationals. This paper re-examines the case and finds that it is most often misquoted. Not only are the facts in variance with the actual, but a hermeneutic examination of the case suggests that it tells us as much about the authors of textbooks as it does about Coca-Cola or India. *(For more information, please contact: C. Gopinath, Suffolk University, United States: cgopinath@suffolk.edu)*

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